

**POLITICAL ECONOMY OF TOURISM DEVELOPMENT
IN SOUTHEAST ASIA**

A sub-thesis submitted for the degree of

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at

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by

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I hereby declare that this sub-thesis is my own work and all sources used have been acknowledged.

Hiroshi Kobayashi

(Hiroshi Kobayashi)

20 March 1998

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WHEN THE TOURISTS FLEW IN
by CECIL RAJENDRA

The Finance Minister said
"It will boost the Economy
the dollars will flow in."

The Minister of Interior said
"It will provide full
and varied employment
for all the indigenes."

The Minister of Culture said
"It will enrich our life...
contact with other cultures
must surely
improve the texture of living."

The man from the Hilton said
"We will make you
a second Paradise;
for you, it is the dawn
of a glorious new beginning!"

When the tourists flew in
our island people
metamorphsized into
a grotesque carnival
-a two-week sideshow

When the tourists flew in
our men put aside
their fishing nets
to become waiters
our women became whores

When the tourists flew in
what culture we had
went out the window
we traded our customs
for sunglasses and pop
we turned sacred ceremonies into
ten-cent peep shows

When the tourists flew in
local food became scarce
price went up
but our wages stayed low

When the tourists flew in
we could no longer
go down to our beaches
the hotel manager said "Natives
defile the sea-shore"

When the tourists flew in
the hunger and the squalor were
preserved
as a passing pageant
for clicking cameras
-a chic eye-sore!

When the tourists flew in
we were asked
to be "side-walk ambassadors"
to stay smiling and polite
to always guide the
"lost" visitor....
Hell, if we could only tell them
where we really want them to go!

(Ecumenical Coalition on Third
World Tourism and Third World
Tourism Ecumenical Network
1986: 126-127)

I. Introduction

1.1. About the forepiece...

The poem on the previous page was written by a Malaysian poet from the resort island of Penang. This poem highlights various thoughts and perceptions associated with international tourism and tourism development which may not be seen behind the scene. For government officials, tourism development may be a source of foreign exchange, employment, and international understanding. For investors, the tourism industry may simply be a place to put their money. For guests, tourism destinations may be places for unspoiled nature, luxurious life, and exotic culture. On the other hand, for local people in the host country, tourism may be a source of poignancy, as described in the poem.

For many, it is very hard to believe that tourism is associated with anything more than a "paradise" resort and ice-cold beers. As Matthews and Richter (1991: 122) put it, "For years, scholarly research on tourism was seen as 'frivolous' and not appropriate for mature scholars". For many scholars who do research on tourism, the most-frequently-asked question may be (with a big smile) "Where do you go for your field research?"

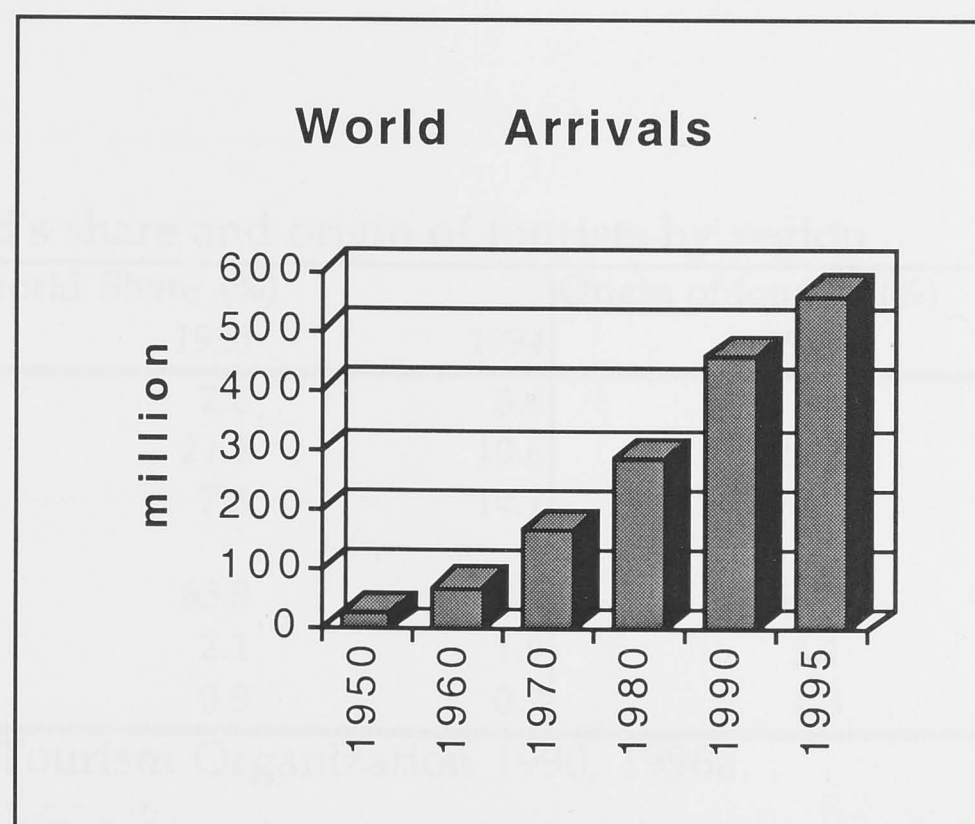
Yet, as will be described in the next section, international tourism has gained so much significance in the past few decades that it is no longer

possible to undervalue it or neglect it. It is an issue that surely deserves more attention in the future.

1.2. General introduction : international mass tourism

International tourism has risen dramatically in the past four decades. The number of international arrivals increased from 25.3 million in 1950 to 561 million in 1995 (World Tourism Organization 1996a: 2). This has meant a more than twenty-two fold increase in 45 years. However, over the past four decades international tourist growth has slowed down as the absolute number of tourists has increased. The average annual percentage increase of the first three decades was 10.6 per cent, 9.1 per cent, and 5.5 per cent, significantly higher than the 4.8 per cent of the 1980-1990 period (World Tourism Organization 1995: 3).

Graph 1.1



Source: World Tourism Organization 1996a

In 1987, the World Tourism Organization reported that tourism had become the third largest industry in the world, with its contribution of about 12 per cent of the world's gross national product (GNP), following oil and vehicle production (World Tourism Organization 1987). No similar statement seems to have been published by the organisation since then. However, it is widely believed that tourism has now become the number one industry of the world (e.g. Hall 1994a). International tourism receipts, excluding international transport, increased from US\$2.1 billion to US\$380.7 billion over the same 45 year period (World Tourism Organization 1996a: 2). This is more than 180 fold!

However, it should be noted that international tourism is not shared equally by all the regions and countries of the world. Like other sectors of the world economy, tourism is dominated by developed countries. For example, in 1994, the OECD (Organization for Economic Cooperation and Development) countries attracted 60.7 per cent of all international arrivals and 68.1 per cent of all receipts from tourism (World Tourism Organization 1996a:11).

Table 1.1 World's share and origin of tourists by region

Regions	World Share (%)		Origin of tourists (%)	
	1980	1994	1985	1994
Africa	2.6	3.4	3.6	2.5
Americas	21.5	19.6	24.2	19.8
East Asia & the Pacific	7.3	14.1	8.2	14.2
Europe	65.8	60.9	59.5	53.2
Middle East	2.1	1.9	3.1	1.2
South Asia ¹	0.8	0.7	1.3	0.6

Source: World Tourism Organization 1990, 1996a.

¹Myanmar is seen as a part of South Asia in all of the World Tourism Organization statistics.

Divided by regions, as Table 1.1 shows, the international tourism market has been dominated by Europe and the Americas (over 80 per cent). In the Americas, Northern America (the USA and Canada) dominates the market for tourists. For example, of the 19.6 per cent share of the world which the Americas accounted for in 1994, 14.4 per cent was of Northern America (World Tourism Organization 1996: 5). Similarly, over 70 per cent of international tourists arrived from the Americas and Europe. Therefore, it can be said that the present international tourist flow is primarily among European² and American nations.

Likewise, the World's tourism receipts and expenditure are dominated by Europe and the Americas. For example, around 80 per cent of international tourism receipts and around 80 per cent of expenditures have been accounted for by American and European nations since 1980, as Table 1.2 indicates.

Table 1.2 Receipts and expenditure by region

Region	World Share (%) Receipts		Expenditure	
	1980	1994	1980	1994
Africa	2.6	1.9	3.1	1.4
Americas	24.1	27.7	24.3	23.7
East Asia & the Pacific	8.3	17.9	9.4	20.8
Europe	60.3	50.1	55.9	52.0
Middle East	3.3	1.5	5.3	1.5
South Asia	1.5	0.9	1.9	0.7

Source: World Tourism Organization 1996a

A more detailed picture can be seen by focusing on individual countries. For example, as seen in Table 1.3, most of the top ten destinations,

²One of the reasons why Europe receives more international arrivals is the ease of travelling between European nations, because they are small and not many are divided by seas.

earners, and spenders in 1994 were European and North American countries.

Table 1.3 World's top tourism destinations, earners, and spenders (1994)

	International Tourist Arrivals	International Tourist Receipts	International Tourist Expenditure
1	France	U.S.A.	U.S.A.
2	U.S.A.	France	Germany
3	Spain	Italy	Japan
4	Italy	Spain	U.K.
5	Hungary	U.K.	France
6	China	Austria	Italy
7	U.K.	Germany	Netherlands
8	Poland	Hong Kong	Canada
9	Austria	Switzerland	Austria
10	Mexico	China	Belgium

Source: World Tourism Organization 1996a

Although international tourism has been dominated by Europe and the Americas, these recent statistics show a significant growth of the "East Asia and the Pacific" region in international tourism. In fact, it is the fastest growing region in the world. From 1980 to 1994, the average annual rate of increase in tourist arrivals was 9.7 per cent, which was almost twice as high as the world's average of 4.7 per cent (World Tourism Organization 1996a: 5). Within the East Asia and the Pacific region, Southeast Asia has been the second largest market and earner following Northeast Asia. Recently, it also became the second largest spender in the region. As shown in Table 1.4, countries of Southeast Asia have been gaining importance in tourism not only in the East Asia and the Pacific region but also in the world.

Table 1.4 Southeast Asian countries' ranking in the world's top 60

	Arrivals		Receipts		Spenders	
	1980	1994	1980	1994	1980	1994
1	Singapore (19)	Malaysia (18)	Singapore (15)	Singapore (11)	Malaysia (31)	Singapore (18)
2	Malaysia (21)	Singapore (19)	Thailand (25)	Thailand (16)	Indonesia (33)	Thailand (23)
3	Thailand (22)	Thailand (21)	Philippines (42)	Indonesia (19)	Singapore (35)	Indonesia (27)
4	Indonesia (50)	Indonesia (28)	Malaysia (45)	Malaysia (27)	Thailand (39)	Malaysia (29)
5	Philippines (39)	Philippines (52)	Indonesia (46)	Philippines (32)		
6	Vietnam (-)	Vietnam (59)				

Source: World Tourism Organization 1996a

1.3. The study of tourism

Tourism is an attractive subject of study for social scientists, on account of its great complexity. As Matthews states, "one can find within it the raw material for exhaustive field work by sociologists, psychologists, anthropologists, economists, political scientists, and other scientists " (1978: 87). Sociologists, who study the values, attitudes, and behaviour of people, have addressed a variety of topics in the study of tourism. For example, Graburn (1989) has adapted Durkheim's notion of the sacred and the profane (he refers to the time spent in tourism as sacred, and ordinary time as profane) to describe tourism is a form of modern pilgrimage. Anthropologists have found interesting material in the processes of acculturation involving tourists and hosts, especially between Western tourists and non-Western local people. Nunez's study (1989), for example, deals with the threatened "Cocacolonization" of native people. There have also been numerous studies of the economy of tourism. Economists such as Mathieson and Wall (1982) have traced the economic benefits at local,

regional, and national levels in terms of balance of payments, gross domestic product, and employment, and have emphasised the role of tourism as a means of economic and regional development.

The subject also has important policy implications. While some countries have pushed tourism as a strategy of development, others (notably in the Southeast Asia region, Brunei) have questioned the benefits from tourism. Even in those countries which have favoured tourism development, there has been some opposition, especially from environmental, feminist, and left-wing groups. (See, for example, the discussion in Smith 1978.)

1.3.1. The study of politics and the political economy of tourism

What about political science research on tourism? According to Matthews and Richter, "By comparison to other social sciences, political science has been slow to address tourism in terms of research and teaching" (1991: 122). Hall (1996: 4) suggests four possible explanations for this situation:

- (1) there is an unwillingness on the part of many decision makers, both in government and in the private sector, to acknowledge the political nature of tourism;
- (2) there is a lack of official interest in conducting research into the politics of tourism;
- (3) tourism is not regarded as a serious scholarly subject;
- (4) there are substantial methodological problems in conducting political and administrative studies.

While there is not yet a flourishing literature, however, an articulated methodological and philosophical approach is being developed. *International Tourism: A Political and Social Analysis* by Harry G. Matthews (1975) is one of the first books to cover extensively the political aspects of international tourism. Matthews distinguishes three dimensions of the politics of tourism: (1) tourism politics in the marketplace, especially in developed countries; (2) the tourism politics in the developing host countries; and (3) the ideology of tourism. According to Hall (1996: 8), this outline has provided a foundation for further studies of the political aspects of tourism.

Linda K. Richter's *The Politics of Tourism in Asia* (1989) is another significant study in the field. Her study focused on government policy related to tourism in the following ten Asian countries: India, Pakistan, the Philippines, Thailand, Nepal, Sri Lanka, the People's Republic of China, Bangladesh, the Maldives, and Bhutan. The aim of this study, she argues, is to provide "a base for further political science research on tourism in these nations and an awareness of the complexity and multifaceted nature of tourism politics" (1989: 21)

While Matthews and Richter have both focused on the political aspects of tourism, Colin Michael Hall, in *Tourism and Politics: Policy, Power, and Place* (1994a), has focused on the variety of areas in which tourism and politics interact. In this book he examines the following issues: (1) the role of government in tourism; (2) tourism policy; (3) tourism and international relations; (4) tourism, violence and revolution; (5) tourism and development; (6) tourism, ideology, political socialisation and value change, (7) tourism within capitalist society. This is probably the first comprehensive and extensive study of the politics of tourism. Subsequently,

Hall and Jenkins extended the study to a focus upon the public policy of tourism. This study explores policy-making in the marketplace for tourism, which is mostly in developing countries (see Hall and Jenkins 1995: 3, 13-16).

The above-mentioned political studies of tourism all deal with critical issues of political science. However, as Britton comments critically, "Debate on the advantages and disadvantages of tourism is conducted without regard to those theories of political economy concerned with persistent poverty and the causes of increasing inequality between and within nations" (1982: 332); one cannot forget the political economy aspects of tourism. Indeed, the present international mass tourism is deeply embedded in the global capitalist system, as many scholars (*e.g.* Britton 1991) argue. Although there are several significant studies of the political economy of tourism development, not all of them have been by political scientists. There have been studies of the core-periphery relationship and the potential loss of power which host community suffer: for example, Nash (1989) argues that tourism is a form of imperialism; Britton (1982) talks about small island states of the South Pacific being dominated by international tourism industries; and Pleumarom (1994) criticizes the industry and its supporters who do not consider "eco" or "sustainable" tourism as a means of reducing the adverse effects of tourism on marginalised people and the environment.

1.3.2. The study of tourism in Southeast Asia

Section 1.2 showed the increase in significance of the East Asia and the Pacific region in the international tourism market. Tourism in

Southeast Asia is also growing significantly within the region. However, little material is available on the importance of tourism for Southeast Asia.

The development of research on the topic is intertwined with the history of the topic itself. Most tourism studies have taken place after 1970, and maybe half of them after 1980 (Graburn and Jafari 1991: 1). It is therefore natural that Southeast Asia has not been the centre of study in tourism, as it currently does not hold a large share in the world market, but it may well be in the future due to Southeast Asia's growing market.

Since tourism was introduced as a instrument of development to the Third World countries, many writings on tourism in Southeast Asia deal with tourism and economic development. As tourism developed in Southeast Asia, scholars such as Wood (1979) started to question the "Tourism equals Development" philosophy. Walton (1993) thus suggests that government should be involved to control tourism development to a certain extent.

Further stimulus to study came from the emerging negative reactions to tourism by the host people. The negative impact of tourism on society, culture and environment in the Third World became one of the biggest issues of study, and many sought changes in mass tourism (e.g. O'Grady 1981; Ecumenical Coalition on Third World Tourism and Third World Tourism Ecumenical Network 1986). Some studies focused on a particular area such as Bali (e.g. McCarthy 1994) or Langkawi (Bird 1989).

On the other hand, some scholars, such as Richter (1980; 1989), have focused on tourism development in Southeast Asia from a political point of view. For example, the main argument of *The Politics of Tourism in Asia*

(1989) is that the pursuit and development of the tourism industry is based not only on social and economic factors, but often on political ones. Richter believes that government plays an essential role in determining who gets what in tourism. The book covers many countries, but it is unfortunate that it examines only two countries in Southeast Asia, the Philippines and Thailand. However, the chapter on the Philippines, explaining in detail the uses and abuses of tourism by the Marcos regime, helps one understand the tourism policy of other authoritarian regimes in the region, such as Indonesia. For Indonesia, Aditjondro (1995) also helps one understand that Jakarta is hiding behind the tourism development of Bali. The chapter by Richter on the People's Republic of China helps one understand the policy of socialist regimes in Southeast Asia, such as Vietnam, since Vietnam looks to China as a model.

For studies of international relations and tourism, Mackie's chapter "Japan and South-east Asia: the international division of labour and leisure" in Harrison (ed.) *Tourism & the Less developed Countries* (1992) contains valuable information on the relationship between Japan and Southeast Asia regarding tourism development. She emphasises that there is an unequal power relationship between Japan and the host countries. Moreover, Matsui (1993a) has done an extensive study of this issue and criticised the Japanese government, her companies, and her people for the negative impacts of tourism on the effected host countries. (Unfortunately, Matsui's book is not well-known because it is not available in English.)

Hall's *Tourism in the Pacific Rim* (1994) is a good introduction to tourism in the Asia-Pacific region. It describes the country's inbound and outbound travel statistics, tourism policies, tourism impacts, and future tourism potential. Southeast Asian countries covered in the book are

Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand. However, the objectives of this book are to introduce and make one aware of the current situation; therefore Hall's study tends to be more general than books such as Richter's which is more politically focused.

For a comprehensive overview of statistics and trends, there are yearly editions of the World Tourism Organization *Yearbook of Tourism Statistics*, and various editions of the Economist Intelligence Unit *Country Profile*. For updated information on tourism in Southeast Asia, there are several journals such as *Annals of Tourism Research*.

1.4. Contents of the sub-thesis

1.4.1. Definition of the topic

This sub-thesis is a comparative study of the political economy of tourism development in Southeast Asia. Three countries, Indonesia, Malaysia, and Vietnam, have been focused upon to make comparisons. The time span of this study is mainly between 1980 and the early-1990s. The time span extends to as recently as the time in which this sub-thesis was written, provided that there were data available.

The term "political economy" is ambiguous. Various scholars use the term, yet there seems to be no generally agreed definition. The usage of the term "political economy" in this sub-thesis conforms with that by Robert Gilpin. He explains his usage as follows:

Although the approaches to political economy based on the application of the method and theory of economic science are very

useful, they are as yet inadequate to provide a comprehensive and satisfactory framework for scholarly inquiry. Concepts, variables, and causal relations have not yet been systematically developed; political and other noneconomic factors are frequently slighted. In fact, a unified methodology or theory of political economy would require a general comprehension of the process of social change, including the ways in which the social, economic, and political aspects of society interact. Therefore, I use the term "political economy" simply to indicate a set of questions to be examined by means of an eclectic mixture of analytic methods and theoretical perspectives. (1987: 8-9)

This is also in accord with the observation of Peck and Lepie (1978: 171) that "the nature of tourism in any given community is the product of complex interrelated economic and political factors, as well as particular, geographic and recreational features that attract 'outsiders'".

Similarly, words like "tourism" and "tourist" are part of popular terminology and the meanings differ according to the purpose for which they are used. In this paper, "tourist" means (most of the time) what the World Tourism Organization describes as a tourist: "a temporary visitor staying at least twenty-four hours in any country not their normal place of residence, whereas excursionists, the second category visitor, do not spend the night in the destination country" (Harrison 1992: 2). Therefore, visitors for both leisure and business are included in "tourists". Hence, "Tourism" is a practice of "tourists". In addition, "Southeast Asia" has sometimes had different interpretations. In this paper, it refers to the following ten countries: Brunei, Cambodia (Kampuchea), Indonesia, Laos, Malaysia, Myanmar (Burma), the Philippines, Singapore, Thailand, and Vietnam.

As indicated above, this study will explore mostly the political, economic, and international dimensions of tourism development in Southeast Asia, particularly Malaysia, Indonesia, and Vietnam. The study will focus on three points:

- (1) the relationship between tourism development in Southeast Asia and its politics, particularly the relationship between the regime types and tourism policy, the relationship between domestic politics and tourism, and the relationship between foreign policy and tourism;
- (2) how tourism development affects the national economy, particularly the relationship between the national economy and tourism policy, and the economic impact in terms of foreign exchange and gross domestic product; and
- (3) the relationship between Japan and Southeast Asia, in the context of tourism development, particularly the relationship which, in many cases, resembles unequal core-periphery relations.

1.4.2. The significance of the study

This study is important because it examines not only the basic issue of tourism in Southeast Asia (whether the effects of tourism are beneficial or negative, and whether they are developmental or non-developmental) but also the power relations which hide behind the “happy-go-lucky” image of tourism; power relations which people seldom think about.

The political economy of tourism development in Southeast Asia is a very challenging topic because:

- (1) most social scientists focus on anthropological, sociological, or environmental issues, but not many have focused on the political and the political economy dimensions;
- (2) the few who have extensively studied the political economy of tourism have seldom focused on the three countries (Indonesia, Malaysia, and Vietnam) which will be mainly focused on;

- (3) the three countries chosen are different in many ways, not only in politics and economics, but in geography, religion, and culture; therefore, a comparison of these countries may provide insights into the political economy of tourism in other parts of Southeast Asia and beyond. The three countries chosen also represent different political regime types (see pp29-30);
- (4) there has been little research done on the relationship between Southeast Asian tourism development and Japan, especially the dimensions of political economy; and
- (5) being a Japanese national, the author can bring insight to the study.

This sub-thesis therefore seeks to explore the experience of tourism development in Southeast Asia, focusing particularly on the different experiences of the three countries representing different regime types, with a view to casting light on the question of whether different political regimes approach tourism development in different ways.

1.4.3. Organization of the sub-thesis

There are six chapters in this sub-thesis. After this introduction, the sub-thesis continues with an overview of the general features of tourism in Southeast Asia since 1980. This will be followed by an examination of the political dimension of tourism development in Southeast Asia. Two areas, the relationship between political regime type and tourism, and the relationship between domestic politics and tourism will be focused upon. Next, the economic dimension of tourism development in the region will be explored with the question of how tourism development affects a country's economy. After that, a case study of the relationship between Japan and the countries of Southeast Asia will be given for the international relations dimension. Finally, the sub-thesis will conclude with a summary and some comments on the future development of tourism in Southeast Asia.

II. General features of tourism in Southeast Asia since 1980

2.1. Introduction

Southeast Asia is a region of great tourism potential. There is a greater variety of culture, flora and fauna, artefacts, and culinary delights than in almost any other region in the world. The region has almost everything a tourist could ask for.

However, Southeast Asia until recently has not been a major tourist destination. Before the late-1960s, only a small number of wealthy people, especially from Western Europe, the United States and Australasia, could travel to Southeast Asia, because only the people who could afford the huge cost of sea- and later air-borne travel could go there. In the 1970s, the advent of high-speed, wide-bodied airplanes enabled large numbers of people in these regions to visit Southeast Asia (Hitchcock *et al.*, 1993: 2).

In the 1980s, the numbers of tourists from the countries of the Asia Pacific region such as Japan and the Asian NIEs (Newly Industrialised Economies: Hong Kong, Taiwan, Singapore and South Korea) began to increase, as a result of their growing wealth and increasing amount of leisure. Later on, these were joined by tourists from rapidly developing countries of the ASEAN (Association of South East Asian Nations).

2.2. Number of tourists to Southeast Asia

2.2.1. Increase of number of international tourists to Southeast Asia

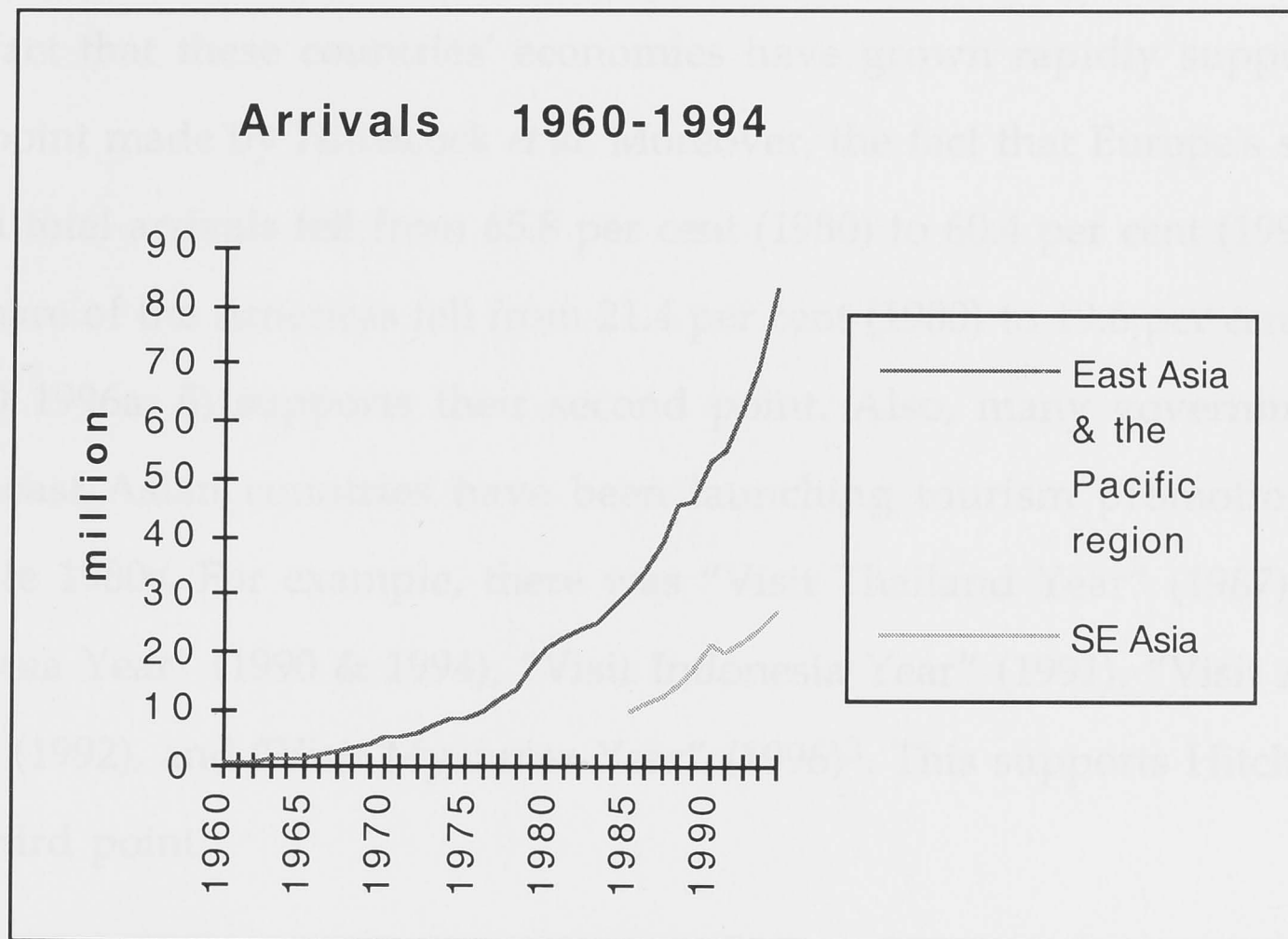
According to World Tourism Organization (WTO) statistics, the number of tourists to the East Asia and the Pacific region (including Northeast Asia, Southeast Asia, Australasia, Melanesia, Micronesia, and Polynesia) has increased rapidly since the late-1970s as shown in Graph 2.1.

The WTO statistics of tourist arrivals specifically in Southeast Asia during the same period were not available. However, by comparing the data of the number of tourists to Southeast Asia for 1985-94 and the regional statistics for 1960-94, it seems clear that the rapid increase in the East Asian and the Pacific region was due more to the increase of tourists to other regions than to Southeast Asia; arrivals in Northeast Asia, Australasia, and Micronesia grew more rapidly than Southeast Asia in the 1980-1994 period (World Tourism Organization 1996a: 5).

It is not that tourism is not growing in Southeast Asia. In fact, it has grown rapidly in the last decade. The number of tourists to Southeast Asia tripled from 8.3 million in 1980 to 26.9 million in 1994. The average annual rate of increase between 1980 and 1994 was 8.8 per cent, very rapid compared to that of the world's average of 4.6 per cent (World Tourism Organization 1996a: 5). Moreover, not only did the number of tourists increase, but Southeast Asia's share of the international tourist market increased. WTO divides the world into 20 regions. Among them, Southeast Asia has been the seventh largest receiver of international tourists over the past decade. The share of Southeast Asia which was 2.9 per cent in 1980, increased to 4.9

per cent in 1994 while the share of arrivals in some other parts of the world, such as Western Europe, decreased (World Tourism Organization 1996a: 5).

Graph 2.1



* Myanmar is not included in "SE Asia".

Source: World Tourism Organization 1996a

2.2.2. Possible explanations

Three possible reasons are discussed in *Tourism in Southeast Asia* by Michael Hitchcock *et al.* as to why the number of tourists to Southeast Asia increased. They are : (1) an increase in peoples' ability to afford to travel to the region, (2) a gradual shift of mass tourism as a result of over-development of major tourism centres and (3) an active promotion of tourism by Southeast Asian countries (Hitchcock *et al.* 1993: 1-4).

As explained later in this chapter, most of the international tourists to Southeast Asia are from the neighbouring ASEAN countries and Northeast Asian countries. The average growth of Gross National Product (GNP) per

capita of the eight 'High-performing Asian Economies' (HPAE: Japan, South Korea, Taiwan, Hong Kong, Singapore, Thailand, Malaysia, Indonesia, and the Philippines), as the World Bank calls them, were almost three times more than the world average in the 1965-1990 period (World Bank 1993: 2). The fact that these countries' economies have grown rapidly supports the first point made by Hitchcock *et al.* Moreover, the fact that Europe's share of world total arrivals fell from 65.8 per cent (1980) to 60.4 per cent (1994), and the share of the Americas fell from 21.4 per cent (1980) to 19.6 per cent (1994) (WTO 1996a: 5) supports their second point. Also, many governments of Southeast Asian countries have been launching tourism promotion since the late 1980s. For example, there was "Visit Thailand Year" (1987), "Visit Malaysia Year" (1990 & 1994), "Visit Indonesia Year" (1991), "Visit ASEAN Year" (1992), and "Visit Myanmar Year" (1996)³. This supports Hitchcock *et al.*'s third point.

In addition, as is also explained later in this chapter, the countries which received most of the tourists to Southeast Asia were the five rapidly-growing ASEAN countries, Singapore, Malaysia, Thailand, the Philippines, and Indonesia. Therefore, the ability to build international standard tourism infrastructure and facilities as a result of economic development may be another reason for the rapid increase in international tourism.

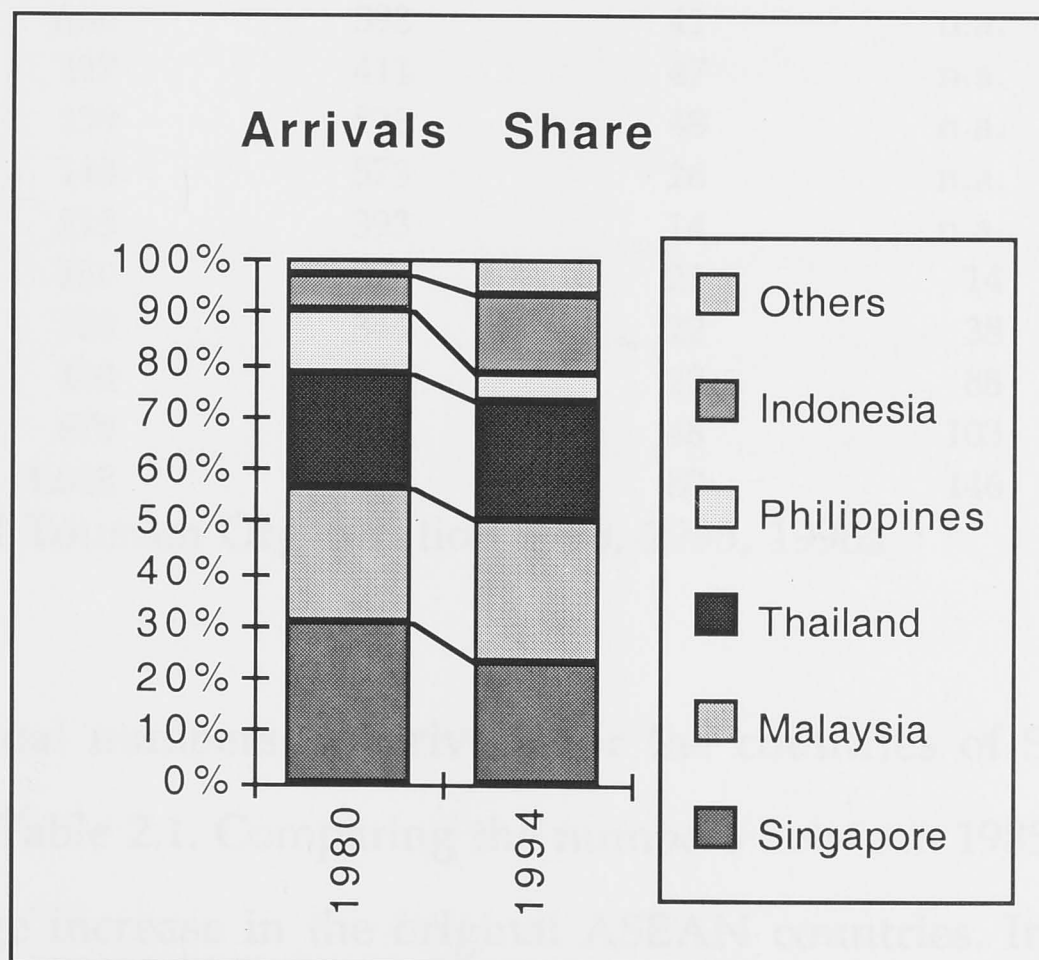
³"Visit Myanmar Year" began on November 1996 and it has been carried on to 1997.

2.3. Number of tourists to respective countries of Southeast Asia

2.3.1. Predominance of the five original ASEAN countries in the Southeast Asian market

Among the ten nations in the region, the original five countries of ASEAN (Singapore, Malaysia, Thailand, Philippines, and Indonesia) have been receiving around 95 per cent of international tourists, as shown in Graph 2.2. Among those five, Singapore, Malaysia, and Thailand alone receive about three quarters of all tourists in the region. The rest (Brunei, Cambodia, Laos, Myanmar, and Vietnam) receive only around 5 per cent of total arrivals.

Graph 2.2



* Myanmar is not included in "Others".

Source: Calculated from various data from World Tourism Organization

Comparing the data of 1980 and 1994, there are some notable changes in shares. Singapore's share, which in 1980 was over 30 per cent of arrivals, decreased to around 25 per cent. Both Malaysia and Thailand increased their shares by a few percent. Indonesia more than doubled its share from around 6 per cent to 15 per cent in little more than a decade.

Table 2.1

Arrivals to Southeast Asian countries (in thousands)

	Indonesia	Malaysia	Philippines	Singapore	Thailand
1985	749	2,933	755	2,748	2,438
1986	823	3,027	764	2,902	2,818
1987	1,060	3,146	781	3,373	3,483
1988	1,301	3,374	1,023	3,833	4,231
1989	1,626	4,846	1,076	4,397	4,810
1990	2,178	7,446	893	4,842	5,299
1991	2,570	5,847	849	4,913	5,087
1992	3,064	6,016	1,043	5,446	5,136
1993	3,403	6,504	1,246	5,804	5,761
1994	4,006	7,197	1,414	6,268	6,166

	Vietnam	Brunei	Myanmar	Laos	Cambodia
1985	n.a.	398	41	n.a.	n.a.
1986	127	411	47	n.a.	n.a.
1987	139	523	48	n.a.	n.a.
1988	148	573	26	n.a.	n.a.
1989	215	393	14	n.a.	n.a.
1990	250	377	21	14	17
1991	300	344	22	38	25
1992	440	500	27	88	88
1993	670	590	48	103	118
1994	1,018	527	80	146	177

Source: World Tourism Organization 1990, 1995, 1996a

The actual numbers of arrivals, for the countries of Southeast Asia, are shown in Table 2.1. Comparing the numbers between 1985 and 1994, one can see a large increase in the original ASEAN countries. In Malaysia, the Philippines, Singapore, and Thailand, the numbers more than doubled. In Indonesia, the numbers increased more than five times.

On the other hand, growth in numbers of arrivals in the other Southeast Asian countries was much greater, but actual numbers were smaller than in the five countries above. In Brunei and Myanmar, the number of arrivals did not increase much. In Laos and Cambodia, reliable data were not available before 1990. However, the number has been increasing since 1990. Arrivals to Vietnam have been increasing rapidly from the early-1990s. In the near future, Vietnam may catch up with some of the five countries previously mentioned.

2.3.2. Possible explanations

There are several possible reasons why some countries in Southeast Asia receive more international tourists than others. First, there are differences in political stability between the countries. As Richter stresses, political stability is one of the important keys to successful tourism development, because it has a great impact not only on the development of the infrastructure but on the image of the country (Richter 1994: 93)⁴. There has been no major political instability in the top tourist-receiving countries such as Malaysia⁵ and Singapore for a long time. On the other hand, there have been several periods of political instability such as rebellions and guerrilla warfare in the countries which have benefited least from tourism, such as Myanmar and Cambodia. For example, there have been anti-government rebellions by ethnic groups in Myanmar, such as the Karens, since independence, and there was a civil war in Cambodia until 1993. Moreover, tourists have been kidnapped and murdered in Cambodia. In

⁴It is interesting to see Table 2.2 in this way. It is possible that some decline in arrivals is related to political instability. For example, in Myanmar, the number decreased in 1988 when incidents between the government and protesters occurred. Likewise, in the Philippines, the severe decrease in 1990 is partly due to the coup attempt of December 1989. Moreover, the number in many countries declined in 1991 when the Gulf War occurred.

⁵In 1969, there was an ethnic clash which caused the suspension of the Parliament. However, there has not been major instability since then.

July 1994, three international tourists were taken hostage from a passenger train by the Khmer Rouge and were later found dead (Thayer 1994: 16). It is obvious that mass tourism will not develop if people of the recipient country seem to be hostile to tourists.

Secondly, there are differences in tourism infrastructure between the countries which receive numbers of international tourists and those which do not. The top tourist-receiving countries have tourism infrastructure that can meet the international tourists' demands. For example, Singapore's airport was nominated as one of the best international airports in the world by various sources, and Thailand, Indonesia, and Malaysia have the largest hotel capacity in Southeast Asia (World Tourism Organization 1995: 16). On the other hand, the countries which receive small numbers of international tourists may have insufficient infrastructure. For example, there is a terrible safety record for Myanmar Airways and the Yangon (Rangoon) Airport is not large enough for 747s and DC-10s, and the Phnom Penh Airport and Vientiane Airport also have similar problems. In Vietnam, poor infrastructure is said to be one of the reasons why only 10 per cent of international tourists came back for a second time (Dao 1996: 38).

Thirdly, there are broader differences in government policy. In the popular countries, policy seems to be more tourist-friendly. For example, in Singapore and Thailand, most tourists can get a visa upon arrival. On the contrary, in the countries which receive fewer tourists, policies may limit tourism. For example, in Myanmar, Laos, and Vietnam, tourists must have a visa organised before they arrive. In Laos, a visa allows tourists to stay for a maximum of only two weeks. In Myanmar, in addition to a 14 day visa, international tourists must exchange at least US\$300 into non-refundable "currency for foreigners" issued by the government of Myanmar. Also,

many parts of the country are "off-limit" for international tourists. Oil-rich Brunei does not have regulations hindering international tourists like Myanmar, but the country is simply reluctant to receive tourists compared to other countries of Southeast Asia.

2.4. Number of tourists by region and country of origin

Previous sections focused on the recipient countries; this section will focus on the origins of tourists to Southeast Asia.

According to the WTO data, 71.8 per cent of tourists to Southeast Asia in 1994 were from the East Asia and the Pacific region (including Southeast Asia), 15.5 per cent were from Europe, and the remainder consisted of the other regions of the world (World Tourism Organization 1996a: 66). The WTO data in 1985 also shows that most of the tourists were from the East Asia and the Pacific region (70.4 per cent) or Europe (14 per cent); and the proportions have changed very little from year to year (World Tourism Organization 1990: 68). This means that tourists to Southeast Asia have been mostly from within Southeast Asia or from the neighbouring regions⁶.

The breakdown of tourists to Southeast Asia by country of origin shows this trend more clearly. However, it was available only for Malaysia, Indonesia, Thailand, the Philippines and Vietnam. Table 2.2 shows the top five countries of tourists' origin and their shares in the respective countries.

⁶Interestingly, one article relates this trend to the booming Asian economy, stating that Asians do not want to be too far away from the business for too long (Gee 1996: 34).

Table 2.2

Travellers' countries of origin in 1994 (per cent)

Indonesia	Malaysia	Thailand	Philippines*	Vietnam
Singapore (25.4)	Singapore (62.1)	Malaysia (14.6)	Japan (19.2)	Taiwan (19.6)
Japan (11.9)	Thailand (7.5)	Japan (11.2)	U.S.A. (19.2)	France (10.3)
Malaysia (9.3)	Japan (4.0)	Taiwan (7.3)	Taiwan (10.6)	Japan (6.9)
Taiwan (7.9)	Taiwan (3.5)	Singapore (6.3)	Hong Kong (5.7)	U.S.A. (4.5)
Australia (7.6)	Indonesia (3.1)	Germany (5.7)	South Korea (4.7)	U.K. (3.9)

*1992. Excluding overseas Filipinos

Source: World Tourism Organization 1996b; Payne 1993 (the Philippines).

In Indonesia and Malaysia, all the top five nations of origin were within the World Tourism Organization's "East Asia and the Pacific" region. In Thailand and the Philippines, four countries of origin were from within the region. However, in Vietnam, only two countries of origin were from within the region. The rest of tourists were all from either North America or Europe.

In global terms, tourists from so-called industrialised countries, (U.S.A., Japan, Australia, the U.K., and Germany) and the NIEs (Taiwan, Hong Kong, and South Korea), make up the largest portion apart from neighbouring countries of Southeast Asia. Especially, Japan and Taiwan make up an important portion of the share in all five countries.

2.5. Future prospects

WTO predicts that the number of international tourists will almost double from 567 million to 1,018 million by the year 2010. East Asia and the

Pacific may become the world's number two tourism region by 2010, overtaking the Americas, with 229 million international arrivals. However, Europe seems likely to maintain the principal tourism region. Tourism growth in the East Asia and the Pacific region over the past five years has substantially outstripped the WTO's forecast of 6.1 per cent annual growth. Tourism has been growing so fast that East Asia and the Pacific achieved its 1995 goal of 70 million tourists two years early (World Tourism Organization 1996c).

A WTO forecast for Southeast Asia in particular was not available. However, there are forecasts by the Economist Intelligence Unit (EIU) (1990) and Payne (1993). Due to some differences in their methods, accurate comparisons are impossible, though all countries in the EIU's forecast (Indonesia, Malaysia, the Philippines, Singapore, and Thailand) have already exceeded their 1988 prediction as of 1994 according to the WTO results (Economist Intelligence Unit 1990: 9; World Tourism Organization 1996a). Beyond the year 2000, the forecast of EIU and Payne diverge. The EIU predicts that only Thailand will receive over 10 million arrivals, while Payne states "Singapore, Malaysia, Indonesia, and Thailand are all forecast to join the '10 million club' by the turn of the century" (Economist Intelligence Unit 1990:9; Payne 1993: 4).

III. The Politics of tourism in Southeast Asia

3.1. Introduction

Sunny beaches and smiling faces do not seem to go along with the ugly images that are often associated with politics. This can be implied from the fact that few political scientists have considered the political dimensions of tourism as a topic of study. This trend has been criticized by some scholars (e.g. Matthews 1975, 1978; Richter 1983, 1989; Hall 1994). However, there have been some significant studies of the political dimensions of tourism. As mentioned in the introduction of this sub-thesis, Colin Michael Hall's *Tourism and Politics* (1994) provides an extensive discussion of the relationship between politics and tourism from a local level to international relations. For Southeast Asia, some chapters in Linda Richter's *The Politics of Tourism in Asia* (1989) cover the cases of Thailand and the Philippines. Still, there is more material on tourism dealing with culture, economics, and environment than with politics.

Nonetheless, politics is sometimes deeply related to tourism development. In Southeast Asia, the on-going "Visit Myanmar Year" is a good example. The State Law and Order Restoration Council (SLORC) of Myanmar scheduled 1996 as "Visit Myanmar Year" in order to boost arrivals and make a profit from the world's fastest-growing industry. There have been movements trying to discourage tourists from visiting the country, because the SLORC has been the target of worldwide condemnation by

foreign governments, international agencies and human-rights groups following the bloody events of 1988 and the detention of opposition leader Aung San Suu Kyi from 1989 to 1995. People are afraid that success of the "Visit Myanmar Year" may legitimise the present regime. There has also been exploitation of people by the SLORC in relation to "Visit Myanmar Year". Many serious abuses of power, such as forced labour and forced relocation on a massive scale throughout the country, have been reported by international human rights groups (*New Internationalist* 1995: 28-30).

While Myanmar may provide an extraordinary example of the relationship between politics and tourism development, in practice, politics is involved at every level of decision making concerning tourism development. Politics is the study of power, "who gets what, when, and how?" as Harold Lasswell described it (Lasswell 1936). Therefore, politics is related to such matters as whether tourism should be developed at all, where and what kinds of attractions should be developed, who should be targeted, and who should benefit.

The main purpose of this chapter is to examine how politics influences the tourism development of Southeast Asia. First, it focuses on the relationship between the regime and tourism policy. Next, it examines the relationship between domestic politics and tourism. Thirdly, it assesses the international relationship between the governments through tourism. The chapter concludes with a comment on future prospects.

3.2. Regime and tourism policy in Southeast Asia

Southeast Asia is an ideal region to focus on when studying different political regime types, because the region provides a microcosm of nation-state types. Classifying regime types is controversial; political regime style can be seen as a continuum. However, countries in Southeast Asia, at the time of writing this paper, can be broadly classified into "largely democratic" (the Philippines, Malaysia, and Thailand), authoritarian (Indonesia, Singapore, Myanmar, and Brunei), and socialist (Laos, Cambodia⁷ and Vietnam).

Within a comparative perspective, this section aims to review the relationship between the different types of regime and tourism development in the three countries: Indonesia, Malaysia, and Vietnam. These three countries are chosen for the following reasons:

- (1) these three countries represent three different types of regime, namely "largely democratic", authoritarian, and socialist; and
- (2) the three countries represent growing tourism markets in Southeast Asia, and their governments are struggling to attract more international tourists.

Amongst the "largely democratic" countries, Malaysia is chosen, because the Philippines and Thailand have, in recent past, had periods of authoritarian regime, and this makes comparison difficult. Indonesia is chosen amongst the countries in the authoritarian category, because its government promotes tourism development strongly. Singapore and

⁷Cambodia is very difficult to categorize. It is actually a Socialist system which is democratizing. However, at the time, it is a non-functional state.

Brunei have not held visitor years, and Myanmar is not yet a growing tourism market even though its government promotes tourism. Amongst the socialist countries, Vietnam was chosen because others do not have either an adequate market or reliable data.

3.2.1. Malaysia

a. Political Regime

Malaysia has been governed by a multi-racial coalition since 1957, known as the Barisan Nasional (National Front) since the racial clash of 1969. The United Malays National Organisation (UMNO), which is the largest party in the coalition, has headed each government since the country's independence. The present prime minister, Dr. Mahathir Mohamad, has been in power since 1981.

The regime in Malaysia is difficult to classify. It is sometimes called "neither authoritarian nor democratic" (Crouch 1993: 135), "semi-democratic" (Case 1992) or "quasi-democratic", because, despite democratic structure, the government has used authoritarian powers to restrict the activities of the opposition. However, it is an essentially democratic state.

b. Tourism Policy

In Malaysia, the Ministry of Culture, Arts, and Tourism, which was established in 1987, is officially responsible for the tourism sector. Tourism Malaysia (the Malaysia Tourism Promotion Board), which is the successor to the Tourism Development Corporation Malaysia, is involved with domestic and international promotion and marketing activities.

Malaysia is open to most countries. Commonwealth citizens, most European nationals, and nationals of Asian countries such as Japan and South Korea do not require a visa for visits of less than three months. Nationals of the ASEAN countries (except Vietnamese people) can stay 30 days without a visa. Normally, visitors obtain 30-day or 60-day stay permits upon arrival.

As a government strategy to reduce the balance of payments deficit, the government sought to boost the tourism industry in the mid-1980s. Like other countries in the region, Malaysia's economy was largely dependent on primary commodities. However, as the price of these commodities declined, tourism was designated as a new foreign exchange earner. A committee on tourism was set up in 1985 to develop new strategies for the industry.

In 1987, Thailand launched the first "Visitor Year" in Southeast Asia, which was a success. Stimulated by Thailand, Malaysia launched "Visit Malaysia Year" in 1990 (Rurakdee 1991: 182). The promotion was a great success. The number of arrivals totalled 7.5 million, which was more than double the amount of the previous year (Tourist Development Corporation Malaysia 1991: 11). Tourist receipts for peninsular Malaysia were 4,473.3 million ringgit (approximately US\$1,658 million), and increased by almost three times in five years. The total receipts of 1990 were 4,803.6 million ringgit, including 330.3 million ringgit for East Malaysia (Sabah and Sarawak) (Tourist Development Corporation Malaysia 1991: 15).

In the Sixth Malaysian Plan (1991-1995), the government stated the policy objective for tourism development as "Tourism will be promoted as an important industry contributing to the creation of new sources of growth

required for socio-economic development" (Malaysia 1991: 239). The plan envisaged an increase in arrivals to 8 million, and receipts to 5,000 million ringgit in the five-year-period to 1995 (Malaysia 1991: 235).

After the early-1990s, the number of arrivals did not increase much due to the Gulf War and the world recession. To revitalise the tourism boom, the government planned the second "Visit Malaysia Year" in 1994. The government's attempt was successful with 7.2 million arrivals and a impressive US\$3,189 million in receipts which is almost double the receipts of the first "Visit Malaysia Year" in 1990 (World Tourism Organization 1996: 78). The government statistics for 1995 show that the number of arrivals was short by half a million, but receipts were 9,200 million ringgit which is almost double what was expected. Therefore one could say that the Six Plan has been fulfilled (Malaysia 1996: 505).

The Seventh Plan (1996-2000) was published in May 1996. The objectives are the same and it envisages an increase in arrivals to 12.5 million and receipts to 15,700 million ringgit by the year 2000. There are seven core strategies to achieve the goal:

- (1) diversify products and services;
 - (2) increase promotional and marketing activities;
 - (3) encourage the private sector to invest and participate;
 - (4) encourage the local people to get involved in tourism;
 - (5) improve and facilitate access into and within the country;
 - (6) provide the essential infrastructure and amenities at designated sites;
- and
- (7) increase human resources development (Malaysia 1996: 519-520).

c. Tourism and the democratic state

There has been a long line of scholars, beginning with Adam Smith and Karl Marx, who argued an "effective affinity" between democracy and capitalism (Waisman 1992: 140-141), and tourism, particularly present international mass tourism, is a product of capitalism. As Harrison (1994: 239) comments, "Capitalism is crucially involved in managing and profiting from this massive, temporary and annual migration". Indeed, most tourists are from developed capitalist societies and the world tourism industry is dominated by transnational companies from developed capitalist countries. In the case of Southeast Asia, the development of a middle class in the neighbouring Asian economies helped to a large extent the development of the tourism market.

In democratic states, government legitimacy can be established through an electoral process. Government policy is more likely to reflect the interests of society. For example, people can choose to have a certain amount of tourism development, as well as not to have development such as environmentally damaging golf courses or sex tourism. In the case of Malaysia, a study shows that there is a high degree of agreement that tourism is beneficial to the people (Ap *et al.* 1991). Hence, it is possible for the government to enact legislation related to tourism development without creating conflict amongst the people.

However, in Malaysia, even though it is a "largely democratic" state, there is evidence that people are being forcibly moved out of certain areas, and the compensation payed has been well below the market price. Yet, because the Malaysian government does not want to be portrayed as acting

against popular demands, paradoxically "various steps were taken by the authorities to ensure that they did not raise a public protest" (Bird 1989: 6, 17, 34-37).

Tourism is a very delicate industry, because it is ultimately dependent on the security of visitors. "Violent protests, civil war, terrorist actions, perceived violations of human rights, or even the mere threat of these activities, will cause tourists to cancel their vacations" (Hall 1994: 92). Therefore, in tourism marketing and promotion, images play the central role. As most international tourism flows have been between and from the Western democratic countries, the image of democracy is very important for the host country.

This may explain why Indonesia, with a notorious image of human rights violations in East Timor and Irian Jaya, and Vietnam with an image of a country unfamiliar with Western democratic standards, receive lower international tourist numbers than Malaysia. On the other hand, some tourists may prefer authoritarian countries, because they are more tightly-regulated and therefore have less chance of political instability. For example, Richter thinks that stability is one reason that the small island-state of Singapore received more tourists than Pakistan, India, and the Philippines together in 1989 (Richter 1992: 38).

3.2.2. Indonesia

a. Political Regime

The Sukarno regime had ruled Indonesia for 15 years since "independence"⁸. However, in September 1965 the Communist Party launched a coup which led to a series of events that put an end to the Sukarno regime. The coup was crushed by the army, led by Major-General Suharto. In March 1966, the "New Order" was established and Suharto succeeded to the executive power of the government. He became acting president in 1967 and has been re-elected five times for five-year terms. This year (1997) is his 30th year in office.

As Robison says, "the authoritarian regime of President Soeharto⁹ became much more than a military dictatorship" (Robison 1993: 41); the institutional structure of the regime is very complex, and has served to maintain President Suharto's political power.

b. Tourism Policy

The Department of Tourism, Post, and Telecommunications is officially responsible for the tourism sector of Indonesia. The Directorate General of Tourism, which is responsible for international promotion and marketing, is under the department.

⁸Sukarno and Dr. Hatta proclaimed Indonesia's independence on August 17, 1945. However, this was followed by armed struggle against the returning Dutch forces. It was not until December 27, 1949 that the Netherlands formally accepted Indonesia's sovereignty.

⁹In this paper, his name is spelled 'Suharto'.

In the early 1980s, a sharp fall in world oil prices slashed Indonesia's foreign exchange reserves. The government of Indonesia, like Malaysia, needed to start structural adjustment and sought new foreign exchange earners. Tourism was one of them. On April 1, 1983, visa requirements were lifted for tourists from many countries. In addition, Garuda Indonesian Airways, the country's international airline, gave up its monopoly of flights to such important tourist destinations as Bali (Economist Intelligence Unit 1995: 53).

By 1987, the impact of the tourism promotion efforts of previous years had begun to bear fruit. At the end of 1987, international arrivals were more than one million for the first time in Indonesia. According to Joop Ave (Directorate General of Tourism Chief)¹⁰, the result of the fourth five-year plan (1984-89) helped establish tourism as a mechanism for economic development in the eyes of the Indonesian Government (Hall 1994: 64).

In 1991, the Indonesian government promoted the country with "Visit Indonesia Year". In 1991 the government spent US\$4 million to promote the country, ten times more than in 1989 (McCarthy 1994: 102). This was followed by the region-wide promotion of "Visit ASEAN Year" in 1992. During the "Visit Indonesia Year", President Suharto announced that the 1990s would be a "Visit Indonesia Decade" with each year designated with a particular theme: Environment Year (1993), Women's Role in Development Year (1994), the fiftieth anniversary of the declaration of independence from the Dutch (1995), Marine and Space Year (1996), Telecommunications Year (1997), Art and Culture Year (1998), Kriya and Technology Year (1999), and the Year of Benefit of Technology Application for Increasing Quality (2000) (Payne 1993: 59).

¹⁰His current position is the Minister of Tourism, Posts and Telecommunications.

Despite nation-wide promotion of the country, "Visit Indonesia Year" was somewhat disappointing. The growth rate of international arrivals was below 20 per cent (18 per cent) for the first time in five years. However, the 1991 figure of 2,569,870 international arrivals to Indonesia was over three times the figure of 1986 (Hall 1994: 70). Considering the negative effects on international tourism of the Gulf War, then, the outcome of the Visitor Year was reasonably successful.

The on-going tourism policy is based on the Sixth Five-Year Plan (1994-1998). The Sixth Plan envisages an annual average growth of 12.9 per cent, receiving 6.5 million international tourists and US\$9 billion foreign exchange revenue, and creating 900,000 new job opportunities (Indonesia 1996: 280). According to the plan, there are seven core policies:

- (1) increase promotional activities;
- (2) expand the international accessibility of Indonesia, by means of further air (and sea) arrival points;
- (3) increase and improve the quality of the Indonesian tourism product and tourism-related services;
- (4) encourage domestic tourism, with a special focus on youth-oriented (budget) tourism;
- (5) improve and upgrade Indonesia's tourism institutions;
- (6) increase human resources development within the tourism industry; and
- (7) promote a high level of awareness of (the benefits of) tourism throughout Indonesia (Payne 1993: 59).

c. Tourism and the authoritarian state

Due to the fact that Indonesia has an authoritarian regime, it does not have to go through the same public consultation as democratic Western countries. Therefore, tourism development can be fast-tracked through any local, provincial or national planning system that is in place. For example, the Indonesian government is said to have started tourism development on Bali without local consultation. In addition, President Suharto has used his executive powers against people opposing tourism development (Wood 1984: 363-364; 367).

Moreover, the government has the power to make political and economic decisions in Bali, which have affected the livelihood of the majority of people on the island. Aditjondro argues that "Bali is a colony of Jakarta....controlled by large Jakarta-based conglomerates, which are in turn dominated by a handful of capitalist-bureaucratic families" (Aditjondro 1995: 1). The families which Aditjondro is referring to are of the Suharto clan, their cronies, and sometimes the local army command. Aditjondro believes that "the decline of democratic practices of decision-making" leads to land-alienation and the appropriation of international and national funds (Aditjondro 1995: 11). This trend is not particular to Bali. For example, it is reported that half of the golf courses in Indonesia are owned by the Suharto clan (Williams 1994: 41).

In addition, in authoritarian states tourism is often used to improve international press coverage. For example, "publicity goals were clearly seen in the Philippines tourism slogan under Marcos, 'Where Asia Wears a Smile', a promotion specifically designed to defuse criticisms of martial law

and allay the fear of potential visitors as to their security" (Richter 1989: 5). Similarly, Indonesia, which has a poor human rights image, can obtain an improved international image through tourism. For example, the campaign slogan of 1991 Visit Indonesia Year was 'Let's go Archipelago' The slogan gives the image that all the islands in Indonesia are united as one. It is difficult to know the reality by just reading this slogan; the reality is that many events were focused on Java and Sumatra and, as Jeffrey commented, "if travellers really want to 'go archipelago', they must do it on government-ordained group packages, which severely limit the choice of islands" (1990: 59). Indeed, some authoritarian governments restrict tourism in order to avoid criticism.

Likewise, there are some differences in policies toward tourism between authoritarian regimes and socialist regimes. Richter compares as follows:

Unlike socialist regimes, rightist regimes tend to encourage luxury tourism and convey a sense of the pleasures of capitalism rather than of more ascetic virtues. They are also more dependent for their stability and capital on the very Western nations that are the most active in the tourist trade....

Neither the socialist nor the non-Communist regimes expect the tourist to be preoccupied with freedom of the press or other civil libertarian issues. They concentrate rather on conveying a sense of law and order and an impression of economic progress (Richter 1989: 5-6).

An interesting comment was made by Indonesian Tourism, Post, and Telecommunication Minister Joop Ave. Even though members of the tourism industry fear that the recent series of riots in Indonesia may damage the country's image and harm the economy, he has no fear because "the incidents happened locally in places that may be unknown to foreign tourists" (Campbell 1997). The comment implies that the state can manipulate the information before the foreigners' notice.

3.2.3. Vietnam

a. Political Regime

The official name of the country is Socialist Republic of Viet Nam (SRV). It is a Socialist country; the political system is dominated by the Vietnam Communist Party.

From 1954, Vietnam was divided into the North and the South until its reunification in the April 1975, when the North Vietnamese communist troops captured the South Vietnamese capital of Saigon. In 1976, Vietnam was officially united as the SRV. The Communist regime has been ruling the country since then.

The 1980 Constitution defined the socialist republic as a "state of proletarian dictatorship" advancing toward socialism, and identified the Communist Party as "the only force leading the state and society". The 1992 Constitution limited the power of the party by stating that it is no longer responsible for day-to-day implementation, but it also stated that the party continues to define the overall state policy.

b. Tourism Policy

In 1992, the control of tourism was taken out of the hands of the Ministry of Commerce and Tourism and transferred to the General Department of Vietnamese Tourism. The control of tourism is now directly accountable to the prime minister.

In 1986, the 6th Party Congress introduced the Renovation policy or *Doi Moi*. The government opened the country to overseas tourists, albeit under heavy registration requirements. In association with this, the government adopted Policy Guidelines to systematically develop its tourism industry (Ngo 1992: 232). In 1993, the requirement of police permits for travel to the interior was eliminated unless travelling to off-limit areas such as border provinces, military bases and islands. Also, changes were made to speed up the processing of tourist visas.

In the 7th Party Congress (1991), the government stressed further tourism development in the *Strategy for socio-economic stabilisation and development up to the year 2000* which is the long-term policy for Vietnam up to the next century. It stated that "We have to make the beauty of our country's natural landscape, rich cultural legacy, and other advantages, to expand cooperation with other countries in strongly developing Tourism" (Ngo 1992: 229-30).

However, in 1995 the government stopped giving extensions to tourists visiting on the standard 30 days-visa, and started a more strict inspection of foreigners staying in Vietnam on working visas. Government and party officials gave a series of speeches warning of a variety of "social evils" created or boosted by greater contact with foreigners. These included drug addiction, rising numbers of AIDS victims, juvenile delinquency, prostitution and gambling (*Far Eastern Economic Review* 1996: 221). In another manifestation of protectionism, the government has apparently decided to bar foreign travel agencies from organising visas and tours in Vietnam; *the Saigon Daily Times* noted that overseas tourism companies had cut package prices "to the bone" (Economist Intelligence Unit 1997: 26).

Implementing the tourism policy of Vietnam may be "easy to say, hard to do", mainly due to the relationship between Socialism and tourism.

c. Tourism and the Socialist state

There are two types of Socialist state in relation to international tourism development: the "closed" and the "open". An example of "closed" states is the Democratic People's Republic of Korea (North Korea). In North Korea, tourism activities are strictly controlled. For example, foreign tourists, pre-selected through the visa system, must follow prescribed itineraries, and must stay in exclusive accommodation provided by the state (Hall 1990: 44-46). On the other hand, there are many socialist countries which are more "open" to international tourists. Vietnam is included in this group.

Compared to North Korea, the Vietnamese government provides greater freedom for tourists. As noted, from April 1993 it became unnecessary for international travellers to get internal travel permits (*giay phep di lai*). Therefore all individual travellers are free from the requirement of registering with local police when they arrive at any place where they intend to stay for more than 48 hours. However, the government still requires travellers to identify entry and exit points when they apply for their visa, which makes it difficult for them to deviate from their itinerary.

Most of the presently existing Socialist states have introduced a market economy or some sort of capitalistic activities. As Matthews and Richter note;

Research on China, Vietnam, and the USSR suggests that those systems which have previously opposed private ownership and have had a state monopoly on virtually all aspects of tourism, from promotion to infrastructure to souvenirs, are increasingly putting ideology on the back burner and injecting a dose of capitalism into tourism implementation through joint ventures with other countries or opportunities for citizen private enterprise (1991: 125).¹¹

Therefore, one cannot find the great gap there used be between the tourism policies of the socialist regime and those of other regimes. Although Luu (1996: 37) argues that there is still "a discriminative attitude toward tourism and tourist personnel... similar to the behavioural pattern toward private traders and the non-state sector, artists, football players... in Vietnam some 10 to 15 years ago, as different from the respect given to engineers or medical doctors, even second rate ones".

However one should note that in Vietnam, as well as in other Socialist countries, the present situation is seen as just part of a process of advancing toward Socialism. It is argued that the market mechanism is only supplementary and found in the preliminary stage of socialism; once the mature stage of Socialism is reached, the need for the market will disappear. The recent development of the tourism industry in Vietnam may be part of that, as Richter stated: "In socialist Eastern Europe and the Soviet Union, leisure and tourism, like work, are directed at the development of the socialist person" (1989: 16). The government may thus risk tourism development to save the regime at any time, as shown by the case of the suppression of the democratic movement in 1989, right after the "Year of Tourism" in 1988.

¹¹The USSR collapsed in December 1991.

3.3. Tourism and domestic politics

3.3.1. Malaysia

In Malaysia, the political use of tourism development is seen in the issue of distribution between ethnic groups. Malaysia is a multi-ethnic country consisting of three main ethnic groups: the Malays, the Chinese, and the Indians. In peninsula Malaysia, where 80 per cent of the nation's population live, the population in 1990 consisted of: Malays (58.2 per cent), Chinese (31.4 per cent), and Indians (9.8 per cent) (Malaysia 1991).

After the ethnic clash in 1969¹², caused mainly by the discontent of the Malays that the Chinese were dominating the economy, the government introduced its New Economic Policy (NEP). The main idea of the NEP was to reduce inter-ethnic economic difference by bringing Malays into the modern economic sector of the economy in the next twenty years. It was a Malay-favouring policy.

In the tourism industry, as in the economy as a whole, the Chinese entrepreneurial advantage was extremely clear. For example, 46.1 per cent of travel agencies and 94.8 per cent of hotels were owned by Chinese Malaysians in 1971 (Malaysia 1986: 114). Even in the early 1980s, among the 92 hotels in Penang, not a single hotel was owned by Malays (Cheah 1981: 47).

Nevertheless, under the NEP Malays became more involved in the tourism industry in areas such as travel agencies, which required

¹²The incident resulted in more than 2,000 casualties, mostly Chinese (SarDesai 1994: 256).

government licences (Din 1982: 462-463; 1989: 189). Also, many projects have been undertaken by the government in less-developed, Malay-dominant regions in such areas as Kuantan and Pulau Langkawi (Bird 1989: 2).

In June 1991, the National Development Policy (NDP) was launched to replace the NEP. The NDP shows the framework of economic and social policy for Malaysia to the year 2000. The basic principles are the same, although the NDP places greater emphasis on the reduction of inequality through rapid economic growth rather than Malay-favouring policies. In the Sixth Malaysia Plan (1991-1995) which is the mid-term plan for the NDP, it is clearly stated that "the tourism industry is expected to provide for increased opportunities for Bumiputera ownership, participation and entrepreneurship" (Malaysia 1990: 239).

3.3.2. Indonesia

The political use of tourism development in domestic politics can be described in terms of "center versus region". Indonesia's center is the island of Java, which is one of the approximately 3,700 inhabited islands. Among these islands, there are about 300 different ethnic groups. Ethnic complexity has given rise to ethnic tension, secessionist movements, and outbreaks of open violence in several peripheral regions, for example, the Free Aceh (Aceh Merdeka) movement in Aceh, northern Sumatra, the movement by the Free Papua Organisation (Organisasi Papua Merdeka, OPM) in Irian Jaya in the 1980s, and the Revolutionary Front for an Independent East Timor (Frente Revolucionaria de Timor Leste Independente, FRETILIN). Hence, national integration has been one of the crucial goals of the central government.

Indonesia has been using tourism as a mechanism for regional development, to help regional economies to integrate into the national economy. The government has put special emphasis on Bali, western and central Java, northern Sumatra, and Sulawesi (Hall 1994b: 69). Recently, the Indonesian government has announced plans to develop the poor provinces of Eastern Indonesia, such as Irian Jaya, Maluku, West Nusa Tenggara, East Nusa Tenggara, and East Timor, in an attempt to integrate the diverse and independent-minded tribal and ethnic groups (such as the Dani of Irian Jaya), independence movements (such as the OPM and the FRETILIN), and groups of people in these regions who seem to be foreign to the national culture (McCarthy 1994: 104-105).

On the other hand, as indicated elsewhere (*e.g.* McTaggart 1980; Richter 1989), it should be noted that tourism is helping to avoid the government's wish to integrate ethnic groups culturally. As Richter argues, "even among governments notably uninterested or unsuited to protecting ethnic diversity, tourism operates to enlarge the government's interest and involvement in culture...[In Bali], touristic considerations dissuaded the Indonesian government from attempting to push Islamicization and the Indonesian language on the Hindu island" (Richter 1989: 199).

3.3.3 Vietnam

In the present Vietnam, the major domestic issue for the government is balancing economic reforms and political reforms. The government is now struggling to maintain and re-define socialism considering the economic and political reforms which have taken place, particularly since

the beginning of the *Doi Moi* (renovation) policy in 1986. Tourism, in this context, is seen as a source of foreign currency on one hand, but on the other is a source of ideas and actions which may be harmful to the Vietnamese government and society.

The *Doi Moi* policy which opened up the country and welcomed foreign investment brought Vietnam rapid economic development. The investment helped develop infrastructure including tourism infrastructure, and as a result Vietnam attracted more foreigners. However, this result was accompanied by so-called "social evils". The Communist party and military newspapers frequently warn of the dangers that foreigners bring, "ranging from corrupting the youth and stirring up support for political pluralism, to exploiting natural resources and dodging taxes" (Schwarz 1996: 15).

There has been politicking within the Communist Party between the reformers led by Prime Minister Vol Van Kiet and the conservatives led by President Le Duc Anh. In the Eighth Congress held in June 1996, which decides the policy for the next five years, the conservatives seem to have gained the most support. Even the former supporters of reform such as former General Secretary Nguyen Van Linh and General Vo Nguyen Giap warn Vietnam to be cautious about further reform (Schwarz 1996a: 14).

Seemingly, the government became tougher on international tourism to stop contamination by "social evils", as it began to stop giving extensions to tourists visiting on the standard one-month tourist visa. In addition, as of April 1997 no work permit for foreigners has been processed since October 1996 (*Saigon News Reader* 10 April 1997). However, it seems very difficult for the government to control and encourage tourism development at the same time. A person in Hanoi recently wrote, "there

seems to be some popular support for the campaign against "social evils". But it is also true that the number of "karaoke bars" must have multiplied nearly TEN times since you were here [in 1994], and many, I am told, offer more than music and drink" (Personal Communication, local source, April 1997).

3.4. Tourism and international relations

When talking about recent tourism development, one cannot neglect the field of international relations, given the increasing international nature of tourism.

Richter gives examples of studies by various scholars, which suggest that international travel flows between nations reflect political relationships (Richter 1989: 4). If there is a positive political relationship, the flows are active. On the contrary, if there is a negative political relationship, the flows are generally poor. For example, in Southeast Asia, the number of tourists from non-socialist countries to Vietnam increased as the relationship between Vietnam and these countries became better. Before 1990, Thua Thien-Hue province, one of the three 'tourismagnetic' areas in the country, hosted 20,000 foreign tourists annually and most of them were from the former-USSR and Eastern European countries. However, in 1994 over 75 per cent of tourists were from non-socialist countries (Ha 1995: 20-21).

One of the reasons why tourist flows reflect the broader relationship of countries is that tourist flows can largely be controlled by administrative and bureaucratic actions such as visa regulations and currency exchange controls. For example, seven countries of the European Union allow their

passport holders to go across the border without checking their passport. In Southeast Asia, the ASEAN has already set up a permanent committee on tourism and is thinking about facilitating intra-regional tourism. Most recently, Vietnam agreed to allow Singaporean passport-holders to stay in the country for a maximum of 90 days without having to apply for a visa (*Straits Times* 7 May 1997).

On the other hand, a government can also use administrative and bureaucratic actions to restrict or restrain its own nationals from travelling abroad. For example, the Malaysian passport clearly states that its nationals can go anywhere in the world except Israel, due to its bad relationship with that country. In the case of Thailand at the time of economic crisis in 1984, the government put a tax on nationals who travelled abroad, aiming to restrict them from going abroad and save foreign currency (Elliot 1987).

Sometimes, tourism is used as a weapon in the international political arena. For example, President Marcos of the Philippines used tourism to build up closer political and economic ties within ASEAN, to promote harmony within the region, and to fight against Japanese and American influence (Richter 1989: 61). Malaysia used tourism to strengthen its claim to the Spratly Islands which are fought over between several countries, including Brunei, China (both the PRC and Taiwan), Malaysia, the Philippines and Vietnam (Hall 1994a: 87). It is reported that the Malaysian government built a lodging house on one of the islands and handed it over to a private company. This company reconstructed this lodging into a hotel with a capacity of 150 people in 1996. In 1995, 900 tourists visited this island (*Yomiuri Shimbun* 25 April 1996). In addition, there is conflict between Malaysia and Indonesia because a Malaysian company built a marine resort

on an island off the east coast of Borneo (Kalimantan) which is fought over between the two countries (*Asahi Shimbun* 20 December 1994).

3.5. Conclusion

As this chapter has illustrated, politics is evident at various levels of tourism development. There seem to be difference of approach to tourism development between different regime types, democratic, authoritarian, and socialist, as shown in the cases of Malaysia, Indonesia, and Vietnam. Moreover, there are different attitudes to tourism in each country according to the domestic political situation of the country.

In the international arena, tourism can also be a measure of the relations between countries and used as a means of international politics. Later, in Chapter V, there will be more discussion of international relations, and specifically of the relationships between the host and the guest, and investors and receivers. The optimistic and wishful motto of the World Tourism Organization - "Tourism: passport to peace" - will be tested.

IV. The Economics of tourism in Southeast Asia

4.1. Introduction

In the decades after the Second World War, tourism began to be seen and studied as a possible instrument for development. Most studies were done by international organizations such as the United Nations (*e.g.* Krapt 1963), the World Bank, and the Organization for Economic Cooperation and Development (OECD) (*e.g.* Pouris and Beerli 1963). Research, at that time, was very positive about tourism development, arguing that it is a labour intensive growth industry, beneficial to both the Third World and the peripheries of metropolitan countries.

Soon, as the literature grew, many scholars began to criticize the supposed economic advantages of the industry, arguing that there were problems such as "leakage" of foreign currency and inflation to be considered (*e.g.* Sargent 1967).

Today, most of the governments in Southeast Asia are responding positively to tourism development. The aim of this chapter is to portray an overall picture of trends and patterns in international tourism development in Southeast Asia and see how tourism has contributed to the national economy. First, how the tourism policy of the Southeast Asian countries, especially Indonesia, Malaysia, and Vietnam, developed in relation to those nations' economies will be looked at. Next, the economic

impact of tourism in Southeast Asia will be focused upon. Finally, the chapter concludes with a discussion of the overall impact of tourism on the national economy.

4.2. The relation between tourism policy and national economy: three case studies

Governments of Southeast Asian nations have increased their attention to international tourism development in the past decade. They were attracted by the claim that the tourism industry generates foreign exchange earnings more quickly and more easily than manufacturing industries, and is also a substantial employer of labour, because of its labour intensive nature.

According to John Walton (1993: 214), there are two reasons why the countries of Southeast Asia, compared to Caribbean nations, were reluctant to develop tourism. The first is that the countries of the region had large export earnings from primary products, including oil, timber, rubber, tin, and a large variety of other tropical products. Therefore, it was not necessary for them to develop new industries. The second reason is that there was insufficient demand, because the region was distant from the major tourist supply areas of the United States and Europe.

Two events provided a turning point in the 1980s: (1) the fall of primary commodities prices and (2) an increase in the number of international tourists from the Asia Pacific region, notably the Japanese. When the world economy went into recession in the 1980s after the oil price shocks of the 1970s, the price of primary commodities fell in the

international market and foreign exchange earnings from these commodities became less reliable. There was a need for an alternative industry. Therefore, elites of Southeast Asian countries came to promote tourism. In addition, as a result of a strong Yen, the number of Japanese international tourists increased markedly from the mid-1980s. Later they were followed by travellers from Asian NIEs and ASEAN. This boosted demand in the Southeast Asian tourism market.

4.2.1. Indonesia and Malaysia

Most of the Southeast Asian nations have experienced colonial rule. After independence, the common major goal for the local elites was to change the economic system which they had inherited, typically a monoculture economy exporting a few primary commodities into a more diverse and industrialised economy. However, they needed large amounts of hard currency to reconstruct and modernize their economies. Ironically, the way of earning foreign currency for most Southeast Asian countries was to sell their primary commodities. For example, in 1976, in Indonesia the top five exports were mostly primary commodities (petroleum and petroleum products, wood, rubber, coffee, and tin), which made up about 90 per cent of total export earnings. Similarly in Malaysia, the top five exports were mostly primary goods (rubber, tin, timber, palm oil, and petroleum and petroleum products) which made up over 73 per cent of export earnings (Asian Development Bank 1990: 164, 204).

In the mid-1980s, the price of primary commodities fell in the international market, which severely worsened international exchange earnings in Indonesia and Malaysia. The export price of Malaysia's traditional commodities, - tin, rubber, and petroleum - declined by 30.6 per

cent (1980-85), 20.4 per cent (1980-85), and 57.8 per cent (1981-86) respectively (Japan Association of Commerce and Trade in Malaysia 1992: 54). Similarly, the price of petroleum, Indonesia's main export commodity, fell from US\$35 a barrel in January 1981 to US\$9 in August 1986 (Sediono and Igusa 1992: 103).

Tourism played a major part in overcoming these countries' economic crises, as one of the alternative sources of foreign currency. From the mid-1980s, the governments of the Southeast Asian countries began to put more emphasis on tourism development. In Malaysia, the Ministry of Culture and Tourism was established in 1987. The fact that the ministry received US\$100 million from the government for its initial promotional expenditure shows the commitment of the Malaysian government to the project (Hitchcock 1993: 4). In Indonesia, the Tourist Promotion Board was established in 1989. Following Thailand in 1986 and the Philippines in 1989, Malaysia held "Visit Malaysia Year" in 1990 and Indonesia held "Visit Indonesia Year" in 1991. These promotional years were a great success for Malaysia, and a fair success for Indonesia, which suffered the advance impact of the Gulf War. For example, Malaysia received 180.9 per cent more Japanese visitors in 1990 than in 1989, and Indonesia received 12.3 per cent more in 1991 than in the previous year (Japan Travel Bureau 1994: 79). In 1985, the tourist receipts of Malaysia were US\$545 million, whereas those of Indonesia were US\$525 million. After five years, in 1990, this increased to US\$1,520 million for Malaysia and US\$1,860 million for Indonesia (Walton 1993: 228).

The success of tourism, to a great extent, helped these countries create time and earn hard currency to change the structure of their economies and recover from the recession. As a result, the ASEAN Government Tourist

Boards agreed to promote their tourism industries in succession, culminating in a joint-venture in 1992, known as "Visit ASEAN Year" (Hitchcock 1993: 4).

4.2.2. Vietnam

The economic reconstruction of Vietnam since its re-unification in 1975 has been a difficult task, because Vietnam's economy was so badly damaged by its long war. In December 1976, the government adopted an ambitious second five-year plan¹³. The plan was rather optimistic, because Vietnam was expecting huge amounts of aid from not only the Socialist countries, but also the Western countries. However, a series of incidents such as the Vietnamese invasion of Cambodia in 1978 caused external funds to dry up and resulted in the war with China in 1979. Also, natural disasters occurred for three successive years and severely affected agricultural production. As a result, the economic situation was seriously worsened and riots occurred in the South. Thus, the government had no choice but to give up the plan.

In September 1979, economic policy was reformed to move toward somewhat more liberalization. In 1986, the Vietnamese government started *Doi Moi* and took big strides toward a market economy. Since then, the economy has begun to recover and grew rapidly through the early-1990s. For example, in 1991-1995 average gross domestic product (GDP) growth was estimated at 8.2 per cent per year (Economist Intelligence Unit 1996: 17).

¹³It is the second in a sense that it is after the first five-year plan of the Democratic Republic of Vietnam during 1961-1966.

From the example of the original five countries of ASEAN, tourism is expected to play an important role in the development of the late developers of the region, such as Vietnam. Vietnam is still suffering from inadequate infrastructure, technical and managerial expertise, and poor economic structure. A large amount of hard currency is needed to overcome these problems. International tourism is seen as one of the major sources of such funds and the Ministry of Tourism is aiming to receive 3 million tourists by the year 2000 (*Asahi Shimbun* 29 October 1994). There is a great expectation that tourism will contribute to the economic growth of the country.

In most Southeast Asian nations, tourism policy is clearly designed to attract international tourists, especially Japanese and Asian NIEs' people, because the local people in these countries are not sufficiently wealthy to support a significant domestic tourism base. In order to attract large numbers of foreign visitors, the country needs tourism infrastructure at international standards. However, in order to set up the tourism infrastructure, a great deal of capital is needed. Therefore, most of the nations in the region are moving to encourage greater investment by foreign enterprises and official development assistance (ODA) by the developed countries. But what kind of impact do those policies have? Moreover, the policies which promote rapid tourism development usually favour local elites and foreigners, and in many cases do not take local peoples' lives into consideration. What kind of impact can this have? In the next section, the economic impact of international tourism is discussed.

4.3. Economic impact of international tourism

A crucial question in the economics of international tourism is, how much economic advantage (or disadvantage) does the international tourism industry bring to the country? The possible positive and negative impacts can be summarised as follows:

Positive impacts

- (1) International tourism generates foreign exchange and lessens international balance of payments problems.
- (2) It can create employment because it is labour intensive.
- (3) It can create and develop new tourism attractions such as beaches and other natural beauty spots which may help overcome regional differences in income and employment.
- (4) It creates new markets for locally produced food, handicrafts, etc.
- (5) It increases government revenues from taxation, through sales tax, corporation tax, etc.
- (6) It may create a better image of the country which may lead to more foreign investment and exports.

Negative impacts

- (1) International tourism allows high rates of foreign ownership which contribute to a loss of control over local resources.
- (2) There is a leakage of foreign exchange income to the foreign firms, and to purchases of imported goods.
- (3) It may cause inflation in the local economy.
- (4) It may displace workers in local industries.

4.3.1. Foreign exchange and Gross Domestic Product

How much tourism contributes to economic development is difficult to measure, mainly because tourism covers several economic sectors in which local residents also participate. The division between tourism and non-tourism sectors is often the subject of arbitrary judgement. For example, transportation, entertainment complexes, restaurants and shops may provide a service to both tourists and local residents.

As a consequence, the economic impact of tourism is difficult to quantify. However, in general, it is measured through how much contribution tourism makes to foreign exchange and to GDP of the country.

a. Foreign exchange receipts

Although such figures should be treated with caution due to difficulties in obtaining accurate data, receipts from tourism clearly vary considerably, as indicated for selected countries in Table 4.1. Two points should be noted. First, among the Southeast Asian countries, the original five countries of ASEAN dominate foreign exchange receipts. In most years shown in Table 4.1, Singapore and Thailand received the most, in terms of foreign exchange, through tourism in the region; they were followed by Indonesia, Malaysia, and the Philippines. The total receipts for Singapore, Thailand, Indonesia, the Philippines, and Malaysia in 1994 was US\$23,107 million. This adds up to almost 99 per cent of tourism receipts in Southeast Asia, which was US\$23,341 million¹⁴ (WTO 1996a: 78).

¹⁴This is from WTO statistics of Southeast Asia; Myanmar's US\$24 million is thus not included.

Table 4.1 Tourism Receipts in selected countries
(US \$ million)

	Brunei	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam
1985	19	548	622	994	1,660	1,171	n.a.
1986	22	647	648	1,006	1,767	1,421	26
1987	25	924	714	1,029	2,088	1,947	30
1988	30	1,283	766	1,301	2,399	3,120	35
1989	32	1,285	1,038	1,465	3,307	3,753	59
1990	35	2,105	1,667	1,306	4,593	4,326	85
1991	35	2,522	1,530	1,281	4,557	3,923	85
1992	35	3,278	1,768	1,674	5,250	4,829	80
1993	36	3,988	1,876	2,122	5,793	5,014	85
1994	36	4,785	3,189	2,282	7,089	5,762	85

Source: World Tourism Organization 1990, 1995, 1996a.

It is surprising that Malaysia receives so little in receipts while receiving a great number of tourists (see Chapter II, Table 2.1). This is, however, mainly due to the length of a tourist's stay. For example, in 1991 the average stay for a tourist in Indonesia was 11.8 days while it was 4.6 days in Malaysia (Payne 1993: 54, 85). Many tend to visit Malaysia for a few days by just crossing the causeway to Johor while they are in Singapore for holidays. The Malaysian government is now thinking about imposing a levy of 20 to 50 ringgit on incoming Singapore-registered cars. There are about 10,000 Singapore cars entering Malaysia daily (*The Straits Times* 4 May 1997a)

Secondly, a common trend in the tourist receipts of Southeast Asian countries was rapid growth in the late-1980s. This indicates the rising importance of the tourism industry in the region. Tourism has become the leading source of foreign exchange in Thailand. It is the second largest industry in the Philippines, and the third most important source of foreign exchange in Singapore. In Indonesia, it became the fourth largest earner of foreign exchange in 1990 (Hitchcock 1993: 1). In Malaysia, it became the third largest foreign exchange earner (Din 1993: 327).

Table 4.2

Tourism as per cent (%) of Exports and GDP, and per capita receipts, 1993

country	Tourism as % of Exports	Tourism as % of GDP	Receipts per capita (US \$)
Brunei	n.a.	n.a.	n.a.
Cambodia	n.a.	n.a.	n.a.
Indonesia	11.8	2.7	21.3
Laos	42.5	2.5	6.8
Malaysia	3.9	2.9	98.7
Philippines	19.1	3.9	32.6
Singapore	8.4	11.4	2,096.3
Thailand	13.6	4	86.4
Vietnam	n.a.	0.6	1.1

Source: World Tourism Organization 1995; Far Eastern Economic Review 1996.

b. Exports, Gross Domestic Product, and per capita receipts

The contribution of tourist receipts to exports and to GDP shows how much dependence a country's economy has on tourism. Southeast Asian countries, compared to the Caribbean island states, have lower percentages. For example, in the Bahamas, more than three quarters of 1984 GDP came from tourism receipts (World Tourism Organization 1990: 104).

In most of the countries in Southeast Asia, the percentage of tourism receipts in GDP in 1993 was below 5 per cent, with the exception of Singapore which stands out from the crowd with over 10 per cent. From these figures, it is clear that the economy of Singapore is the most dependent on tourism and that of Vietnam the least reliant among these countries.

In per capita receipts, there is a great difference between countries of Southeast Asia. Generally, the five original countries of ASEAN receive

more than the other countries. Figures of per capita receipts are sometimes misleading, because it is obvious that a country with a small population will have a higher per capita figure for a given amount. However, it is clear that the population of Vietnam is not 2,096 times bigger than Singapore. Therefore, Singapore is earning much more from tourism in real terms than Vietnam.

Table 4.3

Tourism balance in selected countries, 1994

country	(US \$ million)		
	Tourism receipts	Tourism expenditure	Balance
Brunei	36	n.a.	n.a.
Cambodia	70	7	63
Indonesia	4,785	1,900	2,885
Laos	43	18	25
Malaysia	3,189	1,737	1,452
Philippines	2,282	196	2,086
Singapore	7,089	3,923	3,166
Thailand	5,762	2,906	2,856
Vietnam	85	n.a.	n.a.

Source: World Tourism Organization 1996a

c. Tourism balance

Most of the Southeast Asian countries seem to have a favourable tourism balance. As shown in Table 4.3, the five original ASEAN countries enjoy a "surplus" of more than US\$1,000 million¹⁵. However, there are some ways that they can lose money from tourism by being a part of the international tourism industry. This will be focused upon in the next section.

¹⁵The year 1994 was unusual for Malaysia, because it had its "Visit Malaysia Year". Usually, Malaysia has much lower surplus. For example, in 1993, the surplus was only US\$38 million (World Tourism Organization 1996: 82).

4.3.2 Leakage, inflation, and other problems

When measuring the impact of tourism on the country's economy, one of the most important problems is the leakage of foreign exchange. Leakage occurs when foodstuffs, construction materials, capital goods and other items are imported in support of tourism, and also occurs when there is significant involvement of multinational firms in a country's tourism industry. In practice, countries with few industries other than tourism, or who cannot persuade tourists to consume local produce, suffer the greatest leakages. Generally, small island countries with few natural resources tend to have greater leakages than large and highly populated countries. For example, data cited by John Brohman shows that there was a 56 per cent leakage in Fiji, 50 per cent in the Cook Islands, 45 per cent in St. Lucia, 43 per cent in the Bahamas, 41 per cent in Antigua, Aruba, and Hong Kong, and 29 per cent in Singapore in the year of research (Brohman 1996: 55).

It is almost impossible to make a strict comparison of levels of leakage between the countries of Southeast Asia, due to the quality of statistical data, differences in methodology, and lack of comparable data. However, Tucker, Seow, and Sundberg, using 1975 input-output tables to estimate foreign exchange leakage in the region for the year 1980, suggest that levels of leakage vary quite considerably between the countries of Southeast Asia. According to Tucker *et al.*, leakage as percentage of gross tourism receipts is as follows: Indonesia 23.0 per cent, Malaysia 20.4 per cent, the Philippines 13.9 per cent, Singapore 31.1 per cent and Thailand 22.8 per cent (Walton 1993: 219-222). According to Oliver-Smith *et al.*, problems of excessive foreign exchange leakage within tourism have been aggravated by the sector's lack of articulation with other parts of the local economy, especially

agriculture (Oliver-Smith *et al.* 1989: 345). This could be true for Singapore which probably imports most of its foodstuffs from Malaysia.

Another important problem is inflation. However, this is more difficult to look at, because little research has been done in Southeast Asia (Walton 1993: 230). Nevertheless, there are several examples of the problem. In Bali (Indonesia), land prices in a particular village rose 20 times between 1983 and 1984. Some peasants lost their livelihood because their landlord sold the land. Also, living costs in Bali have been pushed up by tourism, and are now similar to living costs in Surabaya or Jakarta. This has caused great difficulty for local Balinese, especially those who are not working in the tourism sector. A Balinese taxi driver said "In general people earn more money than they used to do [thanks to tourism]. But, because prices have risen so steeply, people are hardly better off. Nobody can save anything" (McCarthy 1994: 29).

Similarly, in Pulau Langkawi (Malaysia), a piece of land which cost \$1,000 in 1983 was priced at \$40,000 in 1989. Also a study showed that 82 per cent of local people in Langkawi believed that tourism development caused inflation in the prices of foodstuffs. Moreover, tourism development caused the price of a one-way ferry ticket between Langkawi and Perlis to go up to \$10, which is very high by local standards (Bird 1989: 37-38). In Hanoi (Vietnam), where tourism development is so rapid that even a former prison (popularly called the "Hanoi Hilton" by imprisoned American soldiers) was turned into a hotel, commodity prices have gone up about 15 per cent since 1995, according to a researcher in Hanoi (Personal Communication, David Wurfel, April 1997).

Distribution is one more important point to look at when measuring the economic impact of tourism. Although in Table 4.3 it seems that many countries of Southeast Asia are enjoying a surplus from international tourism, the majority of host societies may not benefit from it. The capital requirements may prohibit them from participating in other than marginal and menial roles, less well-paid, leaving bigger and more important roles to the "outsiders" such as non-local elites and entrepreneurs. In Bali and Langkawi, it is reported that the majority of local people did not have much of a chance to benefit from tourism development (Aditjondro 1995; Bird 1989).

4.4. Conclusion

It is difficult to come up with a simple conclusion on the economics of tourism development in Southeast Asia. On one hand, it is widely believed by the respective governments that tourism is one of the key industries to help develop the national economy. In the cases of Malaysia, Indonesia, and Vietnam, all three countries put more emphasis on tourism after they had experienced economic difficulties. Statistically, most countries of Southeast Asia seem to enjoy increasing receipts from the tourism industry, especially the five original ASEAN countries. Living standards of people have increased as a result of tourism development in many areas of Southeast Asia. For example, children in Bali were dying because of malnutrition 30 years ago, but now people can afford houses and motorcycles, and send their children to school (Leser 1997: 16).

On the other hand, the economic impact of tourism may not be as good as the statistics suggest, due to the leakage of foreign currency through

multi-national companies and payments for imported products. In addition, there are inflationary effects, caused by tourism, on local goods and land, which may cause suffering to the local people.

It is impossible to measure numerically how much net gain or net loss tourism has on the economy. However, as Brohman argues;

The success of a strategy of tourism development ought not to be measured just in terms of increasing tourist numbers or revenues. Tourism should also be assessed according to how it has been integrated into the broader development goals of existing local communities, as well as the ways in which tourism-related investments and revenues have been used to benefit those communities (1996: 60).

As the Japanese get deeply involved in the tourist development of Southeast Asia, one might think that international tourism may contribute to better Japan-Southeast Asia relations. However, it is not always so, because many cases involve unequal international relations between the North and the South.

The main purpose of this chapter is to examine Japan-Southeast Asia relations through focusing on tourism development in Southeast Asia. First, Japanese overseas travel will be focused on, to explain how present tourism is not helping Japanese to build mutual understanding and a sense of cosmopolitanism. Next, how present tourism is not helping economic

V. International relations of tourism development in Southeast Asia: Japan-Southeast Asian relations

5.1. Introduction

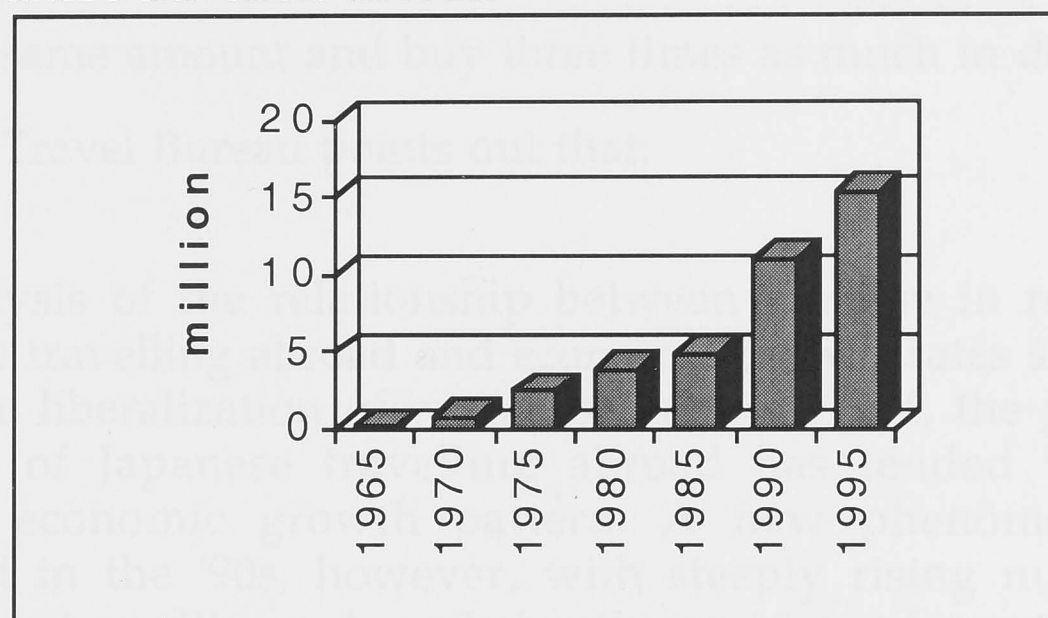
One country which cannot be neglected in relation to tourism development of Southeast Asia is Japan. The Japanese are now one of the largest single nationalities as tourists and the biggest spenders in many countries of the region. Japan is also important due to the role of the Japanese government and Japanese firms. Japan is one of the largest donors of foreign aid in the region, part of which is used directly or indirectly for tourism-related projects. In addition, an increasing proportion of Japanese foreign investment is now directed to real estate and resort developments.

As the Japanese get deeply involved in the tourist development of Southeast Asia, one might think that international tourism may contribute to better Japan-Southeast Asia relations. However, it is not always so, because many cases involve unequal international relations between the North and the South.

The main purpose of this chapter is to examine Japan-Southeast Asia relations through focusing on tourism development in Southeast Asia. First, Japanese overseas travel will be focused on, to explain how present tourism is not helping Japanese to build mutual understanding and a sense of cosmopolitanism. Next, how present tourism is not helping economic

growth in the recipient countries or solving imbalances in international payments will be discussed. Then, Japanese capital in the tourism sector in each country will be compared. The conclusion will look at future prospects. As documented elsewhere (*e.g.* Hall 1992), sex tourism is a very important issue when studying the social and emotional relationship between Japan and Southeast Asia regarding tourism, however, this is beyond the scope of this sub-thesis.

Graph 5.1 Japanese travellers abroad



Source: Houmusho, cited from Japan Travel Bureau 1996.

5.2. Japanese travel overseas and to Southeast Asia

According to statistics from the Japanese Immigration Office, 15,298,125 Japanese travelled abroad in 1995 (Japan Travel Bureau 1996: 1). This means that the number almost tripled in ten years.

The number of Japanese travellers abroad started to grow rapidly from 1985. This is referred to as the “Third Wave” since World War II; the “First Wave” started after overseas travel was liberalised in 1964 and the “Second Wave” after the introduction of the jumbo jet in 1970. In 1965 159,000 Japanese, and in 1973 2.29 million Japanese, went abroad (Inoue

1991: 4). As Graph 5.1 shows, the "Third wave" is much bigger than the previous two.

There are several reasons for the increase. The larger number of overseas travellers reflects rising incomes, an increase in free time, and the spread of easy access to overseas tours. Also, the strengthening of the Japanese Yen, triggered by the Plaza Accord of 1985, made overseas travel cheaper for Japanese people. For example, between 1985 and May 1995, the rate of Yen/US \$ went from 240 to 83. This means that a Yen holder was able to spend the same amount and buy three times as much in dollars. A report by the Japan Travel Bureau points out that:

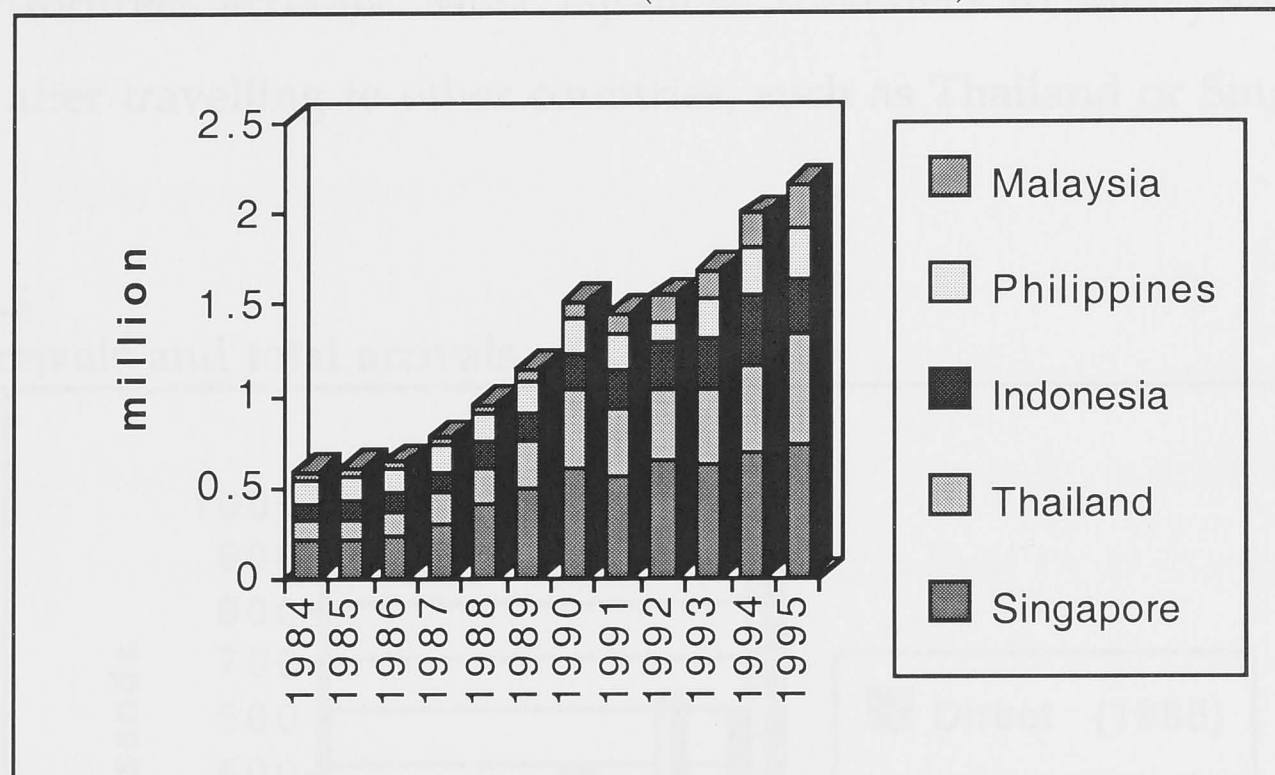
An analysis of the relationship between the rise in number of Japanese travelling abroad and economic growth rates shows that since the liberalization of overseas travel in 1964, the growth in number of Japanese travelling abroad has tended to mirror Japan's economic growth pattern. A new phenomenon has emerged in the '90s, however, with steeply rising numbers of Japanese travelling abroad in the midst of an economic slowdown.

On the other hand, steep rises in the value of the yen relative to the US \$ correspond exactly with the periods of sharp growth in the numbers of Japanese travelling abroad (Japan Travel Bureau 1996: 2).

Southeast Asian countries, also, have experienced a great increase in the number of Japanese tourists since the mid-1980s. The percentage increase in Japanese travellers to ASEAN countries has been over 20 every year from 1987 (Khoo 1994: 3) until 1991, when Japanese overseas travel was influenced by the Gulf War. The number started to increase again after the end of Gulf War.

Graph 5.2

Japanese travellers to Southeast Asia (direct arrivals)



Source: Houmusho: 1985-1996.

Among the Southeast Asian countries, Singapore is the most popular destination for the Japanese tourists, followed by Thailand, Indonesia, the Philippines, and Malaysia. In short, the original five ASEAN countries host most of the Japanese travellers in the region. For example, about 96 per cent of Japanese travellers to Southeast Asia in 1995 visited these five countries¹⁶.

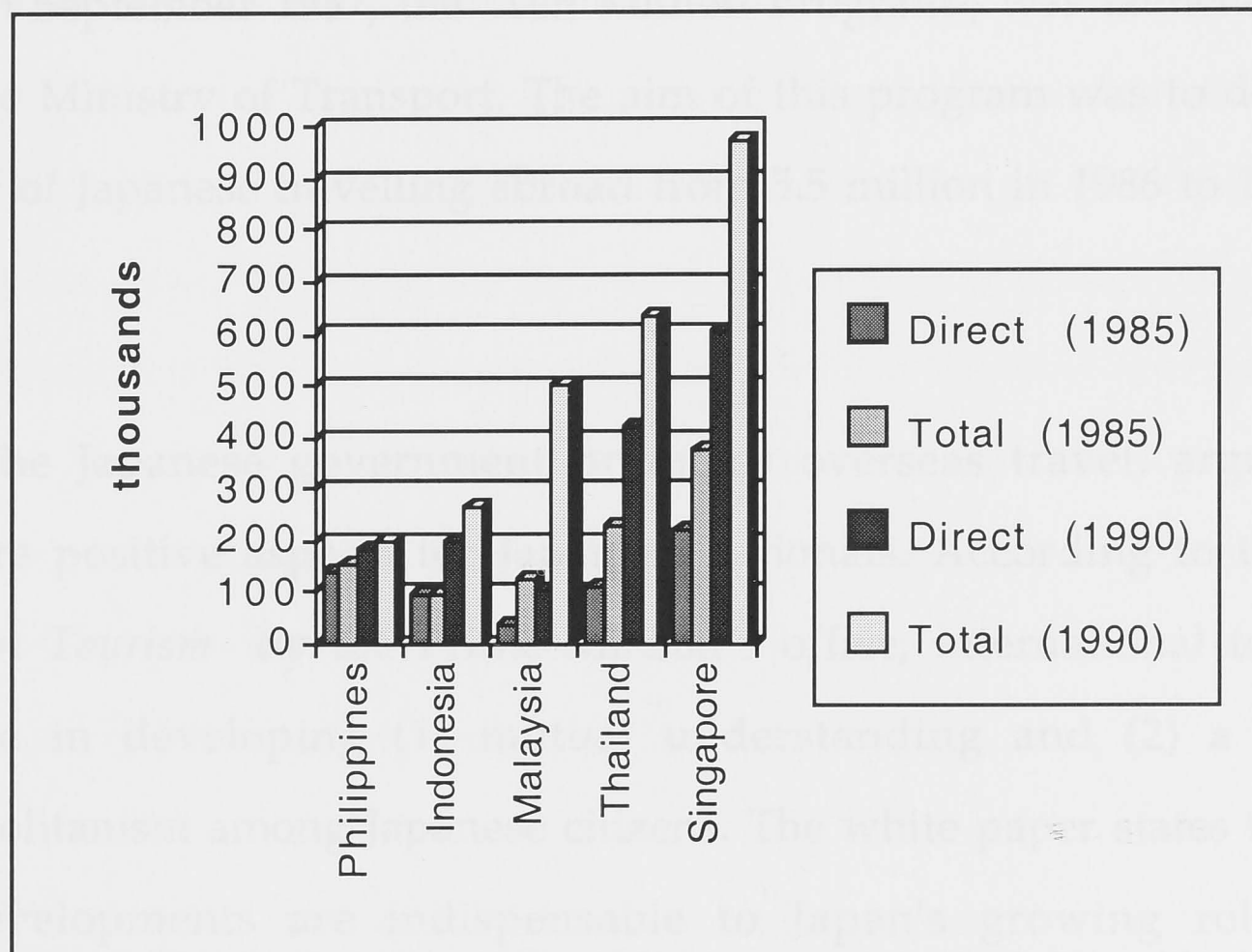
Among these countries, travellers to Indonesia, Thailand, and Singapore make up almost three quarters of total travellers, and the share of these three countries together is increasing as years go by. On the other hand, the Philippines seems to have lost Japanese travellers year by year since 1984. Malaysia, in terms of direct arrivals, does not seem to contribute much to the total share. (Direct arrivals means that the tourists came directly from Japan without any stopovers in other countries.)

¹⁶Calculated from Homusho's data in 1996

However, this does not mean that Malaysia receives the least number of Japanese travellers amongst the five countries, because Malaysia receives a lot of indirect arrivals. Most Japanese travellers to Malaysia visit the country after travelling to other countries, such as Thailand or Singapore.

Graph 5.3

Direct arrivals and total arrivals



Sources: Houmusho 1986, 1991; Khoo 1994.

Note: Total arrivals to Indonesia, Malaysia and Thailand are arrivals by nationality. Total arrivals to the other countries are arrivals by residence.

In terms of total arrivals, including direct and indirect arrivals from Japan, Malaysia, Thailand, and Singapore enjoy larger numbers than the insular Southeast Asian countries (Graph 5.3). This indicates that most Japanese travellers to these three countries were multi-destination travellers while travellers to the Philippines and Indonesia were not.

5.3. Japanese government policy towards international tourism and Japanese overseas travel

5.3.1. Japanese government policy

In September 1987, the "Ten Million Program", was launched by the Japanese Ministry of Transport. The aim of this program was to double the number of Japanese travelling abroad from 5.5 million in 1986 to 10 million in 1991.

The Japanese government promotes overseas travel, arguing that there are positive aspects for Japanese nationals. According to the *White Paper on Tourism* by the Prime Minister's office, international tourism is effective in developing (1) mutual understanding and (2) a sense of cosmopolitanism among Japanese citizens. The white paper states that these two developments are indispensable to Japan's growing role in the international community (Sourifu 1993: 6).

In addition, *Tourism in Japan 1990* by the Japan National Tourist Organisation (Ministry of Transport) states that overseas travel is also effective "in contributing to the economic growth of other countries and solving the imbalance in international payments between Japan and other countries" (Japan National Tourism Organization 1990: 21).¹⁷

The aim of the "Ten Million Program" was realised in 1990, a year in advance. Thus, the Ministry of Transport reviewed its policy objective and

¹⁷See Hall (1994b: 19-20) for more detailed study on the relations between Japanese tourism and international balance of trade.

launched a new program called "Two Way Tourism 21" in July 1991. This time the aim was to expand both inbound and outbound tourism in order to further international mutual understanding.

5.3.2. Building mutual understanding and sense of cosmopolitanism?

Regardless of the positive statements in the *White Paper on Tourism* and other programs of the Japanese government, the reality seems to be different. In many cases, Japanese tourists, using the phrase from *Tourism in South-East Asia*, "will remain closetted in hotel complexes or resorts, will follow package tours, may obtain a glimpse of carefully orchestrated cultural performances, and may not be especially interested in what lies beyond the perimeter walls of the hotels" (Hitchcock *et al.* 1993: 3). For these tourists, there is little chance to see the real life in the country or to know how the local people think about Japanese people.

In addition, not many Japanese seem to have a good image of Southeast Asia before travelling to the region. In 1984, a survey of how the Japanese feel about neighbouring Asian countries was undertaken among 3829 high school students nation-wide at random (Murai *et al.* 1988: 38). For "Which region (country) of the world do you feel friendly towards?", most replied North America (34.3 per cent) or China (26.3 per cent) while less than 2 per cent replied Southeast Asia. For "Which region in the world are you most interested in?", most replied Western Europe (28.2 per cent) or North America (20.9 per cent) while, again, less than 2 per cent replied Southeast Asia. It is said that this result was very similar to research done by UNESCO in Japan in 1974 (Murai *et al.* 1988: 194-195). This means that a less favourable image towards Southeast Asia has not changed much in ten years and is deep-rooted among the people. One cannot deny that many

older Japanese, because of their education in Imperial Japan or the early post-war years, have tendencies to look up to the Western nations and look down on Asian or African nations.

Thus many Japanese presently aged in their late 20s or above do not seem to favour Southeast Asia. However, they are the people most frequently travelling overseas. According to the Japan Travel Bureau (JTB), the major class of Japanese overseas travellers in 1991 was the middle-aged group, men and women aged 45-59 (19.6 per cent); they were followed by married men aged 18-44 (16.3 per cent), female office workers aged 18-29 (10.7 per cent), and senior couples aged 45 or above (10.7 per cent) (Japan Travel Bureau 1991: 6). It is understandable that, in the early 1990s, none of the Southeast Asian countries has been ranked in the top twenty of "preferred destinations" except for Singapore (Japan Travel Bureau 1994: 57). (Singapore has been ranked within the last five, but not above 15th place.)

Hence, the increase in number of travellers to Southeast Asia seems to be related primarily to the cost of travel. High cost has been the major factor hindering Japanese overseas travellers in the past ten years (Japan Travel Bureau 1994: 51). However, due to appreciation of the Yen, overseas travel became an alternative to domestic travel. Since it was an alternative to domestic travel, the budget was usually limited. Therefore, many chose the low-cost destinations which were East Asian countries. Air tickets and living expenses are obviously cheaper for travelling to East and Southeast Asia than to Europe or America. In the Japanese magazine, *Nikkei Trendy*, an article comparing beach resorts in Hawaii and Bali (*Nikkei Trendy* 1994: 18-21), said that, in Bali, tourists can enjoy the same grade of hotels and services by spending less money.

The trend of selecting Southeast Asia for low cost travel can be seen more clearly in the *JTB Report 1994* published by the JTB. According to the report, sightseeing was mentioned as the main reason of travelling to China, North America, Oceania, and Europe whereas shopping was the main reason for travelling to Southeast Asia (Japan Travel Bureau 1994: 34).

Thus good international relations cannot necessarily be expected as a result of an increase in numbers of international travellers to Southeast Asia.

5.3.3. Contributing to economic growth and solving imbalances in international payments?

The boom in Japanese international tourism may not contribute to the economic growth of the recipient countries nor solving imbalances in international payments, because international mass tourism often reflects patterns of structural inequalities between developed and developing countries.

Present tourism development is, to some extent, *for* the Japanese *by* the Japanese *in* Southeast Asia. Using John Walton's phrase, there are many "Japanese tourists whose tour is pre-paid in Japan, and who travel on Japan Airlines, are transported to a Japanese hotel in a Japanese car and probably consume a large proportion of imported food" (Walton 1993: 216).

Due to the increasing numbers of Japanese tourists in the region, Southeast Asian countries are in a rush for tourist resort construction. However, building attractive resorts or hotels means facilities of international standard, which cost a lot of money. As a result, many resorts

use facilities imported from Japan and are owned fully or partly by the Japanese.

Moreover, in some countries, infrastructure needed for tourism is built by Japanese Official Development Assistance (ODA). ODA can be defined as technical cooperation to developing countries and multilateral institutions given by governments of developed countries, with a grant factor of at least 25 per cent (Asahi Shimbun 1994: 114). Japan has been the largest contributor to ODA in the world since 1989. There are two important characteristics of Japan's ODA; (1) long-term loans account for a greater share of the total than grants and (2) half of the total assistance is directed to Southeast Asia (AMPO 1991b: 6).

Most Japanese think ODA is used to help to make the lives of people in the recipient countries better. However, ODA is not always used as most Japanese may believe. Within the ODA projects, what the people in the Third World countries really need urgently, such as education, health care, and social welfare, amounts to less than 20 per cent (Gaimusho 1991: 93).

Instead, most of the ODA is used for improving infrastructure. This may be better for the recipient countries in the long run, as the Japanese government argues. But, to some extent, it seems that the Japanese government is doing this for their own sake, because building infrastructure eventually makes it easier for Japanese capital to advance to recipient countries. Under these circumstances, tourism development may lead to increasing debt, replicating problems of dependency and foreign exchange leakages. On the other hand, it may benefit the Japanese government and Japanese firms.

In the next section, the history and present advance of Japanese capital will be compared between Indonesia, Malaysia, and Vietnam.

5.4. Advance of Japanese capital in Southeast Asian tourism development: a comparison of three countries

5.4.1. Japanese ODA

Japanese aid to Southeast Asian countries started as war reparations to countries including Indonesia and what was then South Vietnam. These countries continued to be the main recipients of Japanese assistance even after the war reparations were fully paid.

In 1989, "Holiday Village Plan" was launched by the Ministry of Transport. The aim of this plan was:

giving aid to support the systematic development of international resorts in developing countries, combining various plans such as conducting development research through the international Cooperation Association, giving yen loans through the Overseas Economic Cooperation Fund (OECF) for tourist-related infrastructure, and taking advantage of non-governmental funds and skills for the so-called superstructure such as hotels, recreation facilities, and the like (Noda 1991: 34).

Southeast Asia is a promising market for Japan, and it is often difficult to tell whether aid is really international cooperation or just foreign investment by the Japanese government.

a. Indonesia

Indonesia receives one of the largest amounts of ODA from Japan. The reason for this is that Indonesia is seen as one of Japan's most important

trade partners in Asia. Indonesia's 200-million-people market, and its petroleum, are essential to the Japanese economy. In addition, sea routes which Indonesia controls, such as the Malacca Strait, are vital to Japanese international trade.

Reparations from the Second World War, though not ODA, can be seen as the first large movement of Japanese capital into Indonesia impacting on tourism development. The reparation agreement was concluded in 1957. A total of 80.3 billion Yen (US\$230 million) was to be paid through Japanese products or services within a 12-year period (Yoshikawa 1992: 111-113). At that time, Sukarno was in opposition to the Western countries and not much aid could be expected from them. The compensation from Japan became a very important source of capital for development.

The Sukarno government used this grant to set up infrastructure. As the government was putting an effort into tourism development, some of the money was used to develop tourism services. For example, Hotel Indonesia, the Sarina department store in Jakarta, and Hotel Ambarrukmo Palace in Yokyakarta were built from this reparation money.¹⁸

A lot of Japanese techniques and materials were used to build these buildings. Later, many Japanese companies found business opportunities, because people needed the same techniques or materials to repair or maintain these buildings. Therefore it was later satirised in Japanese, "the Japanese *Bai-sho* (reparations) turned into Japanese *Sho-bai* (business)". Japanese companies obtained a business footing in Indonesia from reparations.

¹⁸'Sono toki Nihon wa' NHK TV program, January 2. 1995.

The first tourism-related ODA was the resort park project in Borobodur. The Indonesian government was proud of itself for changing Bali from an island of cheap guest houses and hippies to an internationally famous resort. They were looking for the next "Bali", and Borobodur was one of the proposed sites (Mini Dragons II Shuzaihan 1993: 62-63).

In 1971, following a request from the Indonesian government, the UNESCO decided to restore the Buddhist temple in Central Java, Borobodur. When the restoration began in 1973, Japan International Cooperation Agency (JICA) had a plan to make 85 hectares of land around the temple into a resort park with a historical museum, restaurants, and car parks, using Japanese ODA, and the Indonesian government agreed with the plan. The development study was carried out by two Japanese companies and a Japanese company was selected as the general contractor. A 440 million yen loan was provided in 1980, followed by a 2.8 billion yen loan in 1982 (AMPO 1991a: 35). Borobodur Historic Park Inc. was established and a retired Indonesian Air Force officer became a president.

The resort park shut out local people in order to create the best environment for foreign tourists. More than 400 families who had been living around the area were forced to move in the name of tourism development, to make this area a fancy park. There have been contradictory reports of the price of compensation, but one survey says the Indonesian government paid only 10 per cent of the actual price of the land to the families; they received only 2,000 rupiahs per square meter (AMPO 1991a: 33). When JICA was told about this, an official of JICA said that JICA was not in charge of ordering the vacating of the area, so it was not Japan's responsibility (Matsui 1990).

In addition, there is a tourism-related facility built by Japanese ODA in Bali. Japanese tourism in Bali began to increase from the mid-1980s. In 1986, the Japanese government decided to lend 18.9 billion Yen to Indonesia for the enlargement of Bali's Ngurah Rai International Airport. Total loans to Indonesia in this year were 80 billion Yen; this means about one quarter of the loan was used for the resort airport. Again, the planning was done by a Japanese consultant company and the construction was done by Japanese companies (Gaimusho 1994: 38). As a result of this construction, there was great damage to the mangroves and corals growing on the coast of Bali. The Indonesian government took this seriously and asked Japan to do research on the damage, and preserve the environment, using ODA (Earth Day Japan 1992: 45).

b. Malaysia

Compared to Indonesia, Malaysia has not received significant reparations or ODA for tourism development from Japan. When the San Francisco Peace Treaty was concluded in 1952, the British were still in control in British Malaya (present-day Malaysia). Therefore, reparations were not paid to the Malaysians when they became independent in 1957. However, in 1962, when the remains of Chinese victims were discovered in Singapore (which was then a part of the Malayan Federation), the reparations request was revived among local people. As a result, a total amount of 50 million Malaysian Dollars was paid to Singapore, and two cargo ships were offered to Peninsular Malaya (Yoshikawa 1992: 223-224).

ODA to Malaysia began in 1969. As Malaysian income was higher than the Third World standard, Japanese ODA was mostly limited to loans.

As of 1991, Malaysia was the seventh largest receiver of Japanese Yen loans. Malaysia has used most of the money for setting up economic infrastructure (Japan Association of Commerce and Trade in Malaysia 1992: 424-425). Projects closely related to tourism development cannot be identified in Malaysia.

c. Vietnam

A total of 14 billion Yen was paid to Vietnam as reparations for the Second World war. This was limited to South Vietnam due to the Japanese Anti-Communism policy. Most of the reparations were used for the Da Nhim dam and electric power plant (Yoshikawa 1992: 146).

In 1975, when Vietnam reunified, the Japanese government agreed not to pay reparations to the Hanoi government, but to support it through substantial ODA. However, as a result of Vietnamese intervention in Cambodia in 1979, Japanese ODA became frozen. In 1989 the Vietnamese army withdrew from Cambodia and the Paris Peace Agreement was concluded in October 1991. Many Western countries were still reluctant to have ties with Vietnam, because the U.S. did not stop its economic sanction. However, the Japanese government began full-scale interactions¹⁹ with Vietnam in 1992, earlier than many developed countries.

There is a tourism-related project using ODA in central Vietnam. With the help of UNESCO, Vietnam began to restore the palace of the ancient capital, Hue, which was badly eroded by nature and heavily

¹⁹The Japanese government gave small-scale ODA, mainly technical assistance of less than US\$7 million, before 1992.

damaged by the Vietnam war.²⁰ The Japanese government assisted with a US\$115,000 grant for the restoration of the front gate of the palace (*Cua Ngo-mon*) in 1990. In 1995, Japan was to give out US\$230,000 for restoration.²¹

Although Mr. Thai Cong Nguyen, the head of Hue Palace Restoration Centre, has implied that the motivation for restoring is academic, the Vietnamese government seems to be aiming to make Hue a tourist attraction.²² There are already many joint venture hotels under construction.

In Vietnam, Japanese companies in the tourism sector were reluctant to invest, but this may change in the near future as the Japanese government has just started ODA again; a total of US\$542.4 million was provided in ODA between 1992 and 1995 (Iwami 1996: 139). Already, there is a master plan to turn the area around *Chua Huong* or "Perfume Pagoda", 60 kilometers from Hanoi, into an international tourism destination after restoration of the pagoda is completed partly by using Japanese ODA; a Japanese company is involved (*Vietnam News* 30 June 1996).

²⁰According to Hiebert (1993b: 180), Hue's monuments also "suffered from the communist leadership's stress on preserving the landmarks of the country's revolutionary history and decades of propaganda that blamed the Nguyen Dynasty for 'selling' Vietnam to the French in the late 19th century".

²¹*Hue: Sukuou! Betonamu Fue No Bunka Isan* (Hue: Save the cultural heritage of Vietnam-Hue), The Booklet given at the Forum on November 3. 1994 in Tokyo, p27. It is not known whether this payment was made. It is reported that, as of September 1996, the Japanese government has granted 6,000,000 Yen (about US\$60,000) (*Asahi Shimbun* 12 September 1996).

²²*Hue: Sukuou! Betonamu Fue No Bunka Isan* (Hue: Save the cultural heritage of Vietnam-Hue), {public forum}, November 3. 1994.

5.4.2. Japanese tourism firms

Ruins, historical sites, and natural scenery are very important sources of attraction for tourists. However, hotels, shopping centers, and golf courses are seen as equally or even more important to some Japanese travellers to Southeast Asia. After the Japanese government set up infrastructure, it was the Japanese firms' turn to invest in five star hotels, championship golf courses and top brand shopping malls to attract foreign travellers. In most cases, apart from foreign travellers, these facilities are enjoyed only by small numbers of the local elite. At the same time, they may have an adverse impact on the majority of local people in the construction process. Let us look at Indonesia, Malaysia, and Vietnam.

a. Hotels

According to the Japan External Trade Organization (JETRO), Japan's foreign direct investment in real estate and services increased from less than one per cent at the end of 1980 to 4.4 per cent (real estate) and 8.3 per cent (services) by 1985. In addition, according to the Ministry of Construction, 24 per cent of real estate investment was for overseas resort hotels (Inoue 1991: 4, cited in Mackie 1992: 78-79). Although precise statistics are not available, Japanese hotels are already a significant presence in some countries of Southeast Asia.

(1). Indonesia

Joint venture hotels in Indonesia may be divided into two groups according to the date of opening. The first group of hotels was built in the 1970s, when the first Japanese investment boom occurred. The hotels were

built with a view to attracting Japanese businessmen, and were limited to Jakarta.

The other group of hotels was built after the resort boom in Indonesia which began in the late 1980s. Most of them are on Bali and are targeting the wealthy. For example, the cheapest room in one of the Japanese-owned hotels is US\$325 per night (*Nihon Keizai Shimbun* 17 August 1993). This means that if an average Indonesian wanted to stay in this room, he/she would have to work for almost half a year! While building one of these joint-venture hotels, 14 (unofficially 35) people died, partly because workers were not provided with safety rails or protective clothing (Leser 1997: 18).

(2) Malaysia

Malaysia has been giving favourable treatment to foreign investors in the tourism business since 1986 (Japan External Trade Organization 1993: 436). There are many hotels in Malaysia in which Japanese have invested. There are three Japanese hotels in Kuala Lumpur, and four Japanese-invested hotels in Penang, Malaysia's most popular beach resort. Three out of eight hotels in Batu Ferringhi, the most famous beach in Penang, have Japanese capital. Also, there are hotels in Johor, Genting Highlands, Pangkor, and Miri (Sarawak) which have investment by Japanese companies (Khoo 1994: 34).

According to Yayori Matsui's *Ajia No Kankou Kaihatsu To Nihon* (*Japan and Tourism Development in Southeast Asia*), a Japanese resort hotel in Pangkor came into conflict with the people of the neighbouring fishing village when they tried to deport people in order to build a private airport for customers in 1992 (Matsui 1993a: 48). But it is difficult to know what happened after this, because there is no information available.

(3) Vietnam

Compared with Indonesia and Malaysia, Japanese capital has not yet become very active in Vietnam. It may be partly because Japanese are still cautious about Vietnam but mainly because of a shortage of capital to invest due to the recession in Japan. However, in 1993 a Japanese company requested approval to build a new 280-room hotel in Ho Chi Minh (HCM) city in joint venture with the Vietnam Navy, which was to be finished by 1996 at a cost of US\$46 million (*Shukan Diamond* 1994: 83). Another hotel in HCM city, a US\$63.5 million project, was proposed in 1997 (*Saigon News Reader* 27 March 1997). There was also the Saigon Floating Hotel, one of the most expensive and beautiful hotels in HCM city, which was "towed" into Vietnam in 1989 with majority investment from a Japanese company and has been operated by an Australian company (Asano 1994: 91). However, it was closed down in August 1996 to be towed away to its new location in a South Pacific island. Also, in Hue, a Japanese joint-venture resort hotel is waiting to be built on an island in the Perfume River (*The Vietnam Business Journal* 1994: 42).

A few years ago, it was said that only a quarter of Vietnam's estimated 22,000 hotel rooms were up to international standards; dozens of hotels are now under construction as joint-ventures with the Vietnam government (MacDowell 1994). However, at present, there are too many hotels, especially in HCM city. Numerous new, international standard hotels have been constructed, but new arrivals have not grown as expected after the lifting of the U.S. embargo in 1994. In many big joint-venture hotels in HCM city, the occupancy rate has dropped below 70 per cent, and one hotel is struggling to maintain 30 per cent (Schwarz 1996b: 63). Thus, there is little chance that

Japanese hotel companies will rush into Vietnam as they did in Indonesia and Malaysia.

b. Golf courses

Golf is very popular in Japan. As of the end of 1990, there were 1,714 golf courses in Japan and 16 more under construction. In 1989 alone, 90 million people played golf in Japan (Kuji 1991: 47). From the late 1980s, protests against golf course construction by Japanese locals increased, mainly because of pollution caused by pesticides. It is said that construction of at least 100 golf courses has been delayed because of these protests (Kuji 1991: 51). As a result, the Ministry of Health and Welfare, and Environment Agency passed regulations against golf course construction in 1990. In addition, affected by the so-called "Bubble Economy", or unusually prosperous market, playing fees in Japan rose rapidly. These two events caused 'export' of Japanese golf courses to overseas, including Southeast Asian countries.

(1) Indonesia

There are a lot of golf courses around Jakarta. However the exact number of Japanese firms involved in this business is difficult to ascertain. Some say that there are Japanese *sogo shosha*, developing golf courses using local "dummy" companies as "fronts" (Asano 1994: 280-282). In Bali, there are only two 18-hole golf courses, one of them is a Japanese joint venture.

Many companies remove local people in order to build golf courses. In 1993, a construction site of a Japanese funded golf course in Bogor was burned by angry farmers (Matsui 1993b). As a result of the people's protest, the Indonesian government finally restricted the construction of golf

courses around Jakarta in May 1993 (*Mainichi Shimbun* 29 May 1993). However, this only meant the spreading of golf courses to pristine countryside farther from Jakarta.

The fee for playing golf in Indonesia is very expensive by local standards. A Japanese magazine says that in Jakarta the weekend fee for visitors is about 10,000 Yen whereas in the countryside it is about 1,000 Yen, equivalent of two months' salary and one week's salary of average workers respectively (*Shukan Diamond* 1994: 66, 91). The playing fee at a Japanese joint-venture golf course in Bali is a bit cheaper than Jakarta, at US\$30 for weekdays and \$45 for weekends. It is obvious that golf is not for the majority of people, where annual GNP per capita is about US\$670 (World Bank 1994: 162).

(2) Malaysia

There are at least eight golf courses in which Japanese have invested in Malaysia. Like Indonesians, Malaysian people also suffer from golf course construction. For example, in Templer Park, which is 21 kilometers away from Kuala Lumpur (K.L.), a Japanese enterprise built a private golf resort together with a local company. Now, the park, which used to be a gathering place for the local people, is partly restricted, shutting out the locals (Kyoto Jichimondai Kenkyujo 1991:61).

The playing fee at Malaysian golf courses is also expensive by local standards. For example, a Japanese magazine reported that the weekend fee in K.L. is about 8,000 Yen, equivalent to two weeks salary for local workers and two days salary for manager-class workers (*Shukan Diamond* 1994: 60, 91). The annual membership fee in Malaysia ranges from US\$10,000 to

\$30,000, which makes it cheaper for the Japanese golfer to fly to Malaysia to play golf than be a member of a club in Japan (Ling 1991: 33).

(3) Vietnam

Japanese capital is not yet as active in golf courses in Vietnam as it is in Indonesia and Malaysia. The main reason is that golf was prohibited until recently. In 1975, after the fall of South Vietnam, golf was banned because it was seen as a "bourgeois practice" and all courses were shut down and turned into farming cooperatives. Golf was rehabilitated in 1992.

There is no report of protest against the Japanese investment in golf courses yet. However, Vietnamese people are already worried about the negative impacts of golf courses. In 1992 there was a big protest against the building of a golf course around HCM city. The project was mainly by Taiwanese companies (Hiebert 1992: 22). In 1996, there was a big clash between 500 villagers and 600 police officers at the proposed golf course site of a South Korean Joint-venture in Hanoi (*Travel News Asia* 31 December 1996).

Tran Trong Thuc, a journalist who opposes all golf course construction in Vietnam, complained "we're starting to get the feeling that a foreigner can buy anything in Vietnam, if they have money" (Hiebert 1992: 22). The first golf course since the unification of Vietnam in 1975 was constructed in 1993 in Song Be province about 50 kilometers away from HCM city. Song Be golf course is a joint venture of Japanese, Swedish, and Singaporean companies and the Vietnamese government. Membership costs US\$20,000-25,000 (private) and 30,000-70,000 (corporate). As of August 1993, there were 50 members, but none of them was Vietnamese (*Yomiuri Shimbun* 11 August 1993). Two months later, Vietnamese membership

increased but made up only about 1 per cent of the membership. This is not surprising, because it would take about 100 years for an average Vietnamese person to pay for membership of this club, even with the US\$5,000 discount for locals (Hiebert 1993a: 58).

c. Shops

As mentioned before, for most Japanese tourists one of the main reasons for travelling to Southeast Asia is shopping. In many cases, what they are looking for is not local souvenirs, but international brand merchandise which is sold cheaper than in Japan. As the number of Japanese tourists to Southeast Asia has increased, more and more Japanese retailers have opened business in Indonesia and Malaysia. In Vietnam, they have not opened business yet.

(1) Indonesia

Indonesian law does not allow foreign capital to be invested in retail trade. However, there are stores of the giant Japanese retail chains. Sogo, in the centre of Jakarta, opened in 1990, is one of them. According to Sogo Japan, they rented the name to a local retailer and Sogo Jakarta is 100 per cent local capital. They say that they have not spent a penny on this project; Sogo Japan receives just a 1 per cent royalty from the total sales (Asano 1994: 91) (this is hard to believe). There was a protest against Sogo Jakarta, saying it is illegal, but the government did not do much about it. The owner of the building where Sogo Jakarta is a tenant, is President Suharto's son (Asano 1994: 94).

The commodities in Sogo Jakarta are said to be more expensive than those in Sogo Singapore or Sogo Bangkok. Obviously it is not for the

majority of local people. The manager of Sogo Jakarta said "our main target of customers are locals who have more than 100 million rupiah as yearly income and 25,000 foreigners including tourists. In short, about 5 per cent of the population of Jakarta" (Asano 1994: 96).

(2) Malaysia

Most of the Japanese who visit Malaysia use multi destination package tours. According to the Malaysia Tourism Promotion Board, approximately 80 per cent of tour programs are multi destination tours, visiting Singapore, Hong Kong, and Thailand. When they visit Malaysia, tourists are delighted with the cheaper shopping that Malaysia provides. Malaysia currently enjoys an advantageous exchange rate differential with neighbouring Singapore. Shopping has become one of the most attractive features to Japanese tourists (Khoo 1994: 22).

Japanese retail chains are increasing in numbers in Malaysia. As of 1992, they have opened a total of eight department stores in Kuala Lumpur, one in Penang, and one in Malacca (Japan Association of Commerce and Trade in Malaysia 1992: 335). In one Japanese-invested department store in Kuala Lumpur, almost all commodities are internationally well-known brands and some of the same products sold in the local department store across the street are a lot cheaper. Many people go window shopping to this Japanese department store, but actually buy things at the local department store next door (Personal Communication, local source, November 1995).

5.5. Conclusion

"Tourism, Passport to Peace"; this was the slogan of International Tourism Year held by the United Nations in 1967 and this is the motto of WTO. This implies that international tourism would contribute to better international relations.

However, although the Japanese government promoted overseas tourism, and Japanese tourism to Southeast Asian nations increased, the present situation does not seem to make for better relations.

Present relations between Japan and Southeast Asia reflect North-South problems. The reason for choosing Southeast Asia, for many Japanese tourists, is economic advantage, not interest in the region. Also, the governments of Southeast Asian countries are using Japanese ODA to build some tourism infrastructure. This increases debt and dependency on Japan. In addition, Japanese capital is dominant in Southeast Asian tourism sectors, and foreign exchange leakages occur.

The cases of these three countries have shown that Japanese capital has built facilities mainly for the use of foreign tourists or a small group of the elite in each country. There have been some negative effects on the local population.

In order to have international tourism which contributes to better relations between countries, tourism which benefits a large proportion of the local population is essential. Therefore community participation in tourism planning is necessary.

VI. Conclusion

Tourism is one of the world's largest industries and is expected to grow more in the future. However, few scholars have done research on the politics, or political economy, of tourism despite tourism's enormous political importance; as Hall (1994: 8) notes "Political analysis or acknowledgment of the political dimensions of tourism have tended to be a by-product of social or economic research rather than an end in themselves". Moreover, little research has been conducted on Southeast Asia, where tourism is developing faster than most of the regions in the world. Thus, this sub-thesis has explored the political economy of tourism development in Southeast Asia since 1980, aiming to find answers to the three main questions:

- (1) what is the relationship between tourism development in Southeast Asia and politics?
- (2) how does tourism development affect the national economy? and
- (3) what is the nature of international relations in the context of tourism development?

The study has shown that the type of regime in power affects the type of tourism development in a country. For example, in a democratic state like Malaysia, the government has been concerned about the interests of society more than an authoritarian state like Indonesia. In a socialist state like Vietnam, more diversity was expected; however, Vietnam is not so

different from other countries, following the introduction of a market economy.

In addition, this paper has argued that the domestic political situation affects tourism development. In Malaysia, tourism development has been related to the multi-ethnic society in the sense that the government uses it to reduce economic differences between the ethnic groups; in Indonesia, it has been related to regional unity in the sense that the government uses tourism to integrate underdeveloped and anti-government regions into the national economy; and in Vietnam, tourism has been affected by the Socialist ideology which resulted in a struggle between the reformers and the conservatives over moral degradation.

Richter (*e.g.* 1989) believes there is an important role for government in determining 'who gets what' in tourism, and the reasons for selecting, and ways of developing, tourism are different between nations or regimes. Her own findings in 'The Political Uses of Tourism: A Philippines Case Study' (1980) were that a country's tourism development sometimes is irrational from a solely economic perspective. This part of the sub-thesis has indicated that Richter's theory is applicable to the three countries studied.

It has been argued that most of the governments in Southeast Asia began to focus on tourism to overcome economic difficulties. Quantitative measures are difficult, however most Southeast Asian countries seem to be enjoying increasing foreign receipts from tourism. In Malaysia and Indonesia, tourism has emerged as one of the largest foreign exchange earners, surpassing the contributions from traditional export commodities. In Vietnam, where tourism is still small, the government is seeking to follow the path of successful countries in the region. However, this paper

has also argued that the impact of tourism on a nation's economy may be limited by such factors as a leakage of hard currency, and inflation. Also, the impact of tourism on local people may be limited by distributional problems.

There has been little research on the relations between Japan and Southeast Asia in relation to tourism with exceptions such as Mackie (1992) and Matsui (1993a). However, Mackie and Matsui focused more on countries other than the three countries addressed in this paper (*e.g.* the Philippines and Thailand), and focused less on the political economy of tourism.

Many authors have argued that relations between the Western developed countries and Third World countries have been unequal. The case study of Indonesia, Malaysia, and Vietnam has added to the literature by arguing that the existing relationship between Japan and these Southeast Asian countries also reflects, to some extent, unequal relationships between the North and the South. Instead of enhancing mutual understanding, Japanese tourists visit the region for economic advantages; and instead of contributing to the economic growth of the recipient Southeast Asian countries, the Japanese government and private companies seem to invest mostly for their own rather than the local people's benefit.

It is only since the 1980s that most Southeast Asian countries have begun to seriously consider tourism development. After fifteen years, most countries of ASEAN have succeeded in bringing in foreign receipts through tourism development. Governments of the other countries in the region are now aiming to follow the path of their predecessors.

At the same time, negative aspects, such as environmental degradation, cultural dilution, and dependency on developed countries, have been incurred in the nations of Southeast Asia. In many popular beach destinations such as Penang (Malaysia) and Bali (Indonesia), it is already reported that the water is so polluted it is now a threat to public health (e.g. Hong 1985: 54; Leser 1997: 16). In many popular historical sites such as Pagan (Myanmar) and Angkor Wat (Cambodia), it is reported that since the government has tried to make them into tourist destinations, the sites have been badly or inadequately planned, restored, and managed (e.g. *Nihon Keizai Shimbun* 10 September 1996; *Yomiuri Shimbun* 7 November 1995). In addition, Cambodia is now reported to be the new frontier for sex tourism, following the path of Thailand (e.g. *Asiaweek* 7 February: 36-41).

It is maybe a good time for many governments in Southeast Asia to slow down and think about future policies of tourism development, because at present "tourism may be destroying the tourism" (Hitchcock *et al.* 1993: 22). To avoid cumulative negative effects of tourism, some authors (e.g. Butler 1993) have suggested "sustainable development" of tourism, which can be defined as:

...tourism which is developed and maintained in an area (community, environment) in such a manner and at such a scale that it remains viable over an indefinite period and does not degrade or alter the environment (human and physical) in which it exists to such a degree that it prohibits the successful development and well-being of other activities and processes (Butler 1993: 29; cited in Brohman 1996: 59).

Some other authors (e.g. Matsui 1993a) have suggested that "alternative tourism" is necessary. According to Brohman, there are four broadly similar aspects of "alternative tourism" as suggested by various scholars: small-

scale, local-ownership, community participation, and culturally and environmentally sustainable (Brohman 1993: 65).

It is, to a large extent, up to each government to decide the future of tourism development. Politics substantially influences tourism development. Hitchcock *et al.* suggest that it is naive to think that the governments of Southeast Asia would kill off the "goose which lays the golden egg" (1993: 24). However, after nearly two decades of serious tourism development in the region, the situation may be changing.

Tourism is expected to grow in the future as a result of the rapid economic development of the region. If tourism is not to be "destroyed by tourism", it is necessary for governments in Southeast Asia to find the mix of policy that maximizes the potential gains from tourism while minimizing its undoubted adverse effects. Remember:

"Tourism is like fire. It can cook your food or burn your house down."

(Fox 1976: 44, cited by Richter, cited in Hitchcock *et al.*, 1993: 16)

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